A PLAN TO FIX MUNI

A Special Report to
Mayor Willie L. Brown, Jr.

The New Muni Task Force
San Francisco, California
February 1999

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NEW MUNI TASK FORCE

February 11, 1999

Mayor Willie L. Brown, Jr.
City Hall
San Francisco, California

Dear Mayor Brown,

On behalf of the members of the New Muni Task Force, I am pleased to submit our final report identifying the key structural improvements required to ensure the system is restored to one of the nation's best.

In October 1998 you announced the formation of a Task Force to evaluate the structural and institutional problems which prevent Muni from providing reliable, safe, convenient and efficient transit service throughout the City. You asked me to serve as Chair and to confer with key officials and community leaders to develop a plan that would address policy making, governance, management, funding and the future potential of Muni. Included herein are the Task Force's analysis, conclusions and recommendations based on its investigations.

This report is the result of the work of thirty Task Force members, with diverse backgrounds, meeting frequently through four major "working" committees under the direction of an Executive Committee. The members of the Task Force are listed in Appendix A to this report.

This report also reflects the very important views of six transit experts from around the United States, all of whom have extensive experience in the field and most as General Managers of successful major urban transit systems. The transit experts met with the task force members over a three-day period in December. Their reports have been compiled and included as Appendix B to this report. Working together, certain key principles for governance were agreed upon for undertaking a major restructuring of the Muni organization in San Francisco and are included in Appendix D.

The Task Force has developed a very specific and comprehensive plan of realistic goals and programs which, if instituted by a dedicated board, will enable the public to see demonstrable improvements in the system during the year 2000. Based on this plan, Muni will approach a full level of performance in 2002. These specific goals and programs, with required funding and schedules, are included as Appendix C.

When we ask the question "What's wrong with Muni and how do we fix it," we need to understand that Muni's problems are not isolated conditions that can be corrected simply by demanding better performance from the commission members, general manager or employees.

Instead there are fundamental organizational and structural problems which inhibit effective long range planning and operations, and day-to-day management.

This report presents the problems confronting Muni, describes the basic structural causes and recommends a new institutional and organization arrangement. We are proposing a reorganization plan for Muni along the lines of comparable transit organizations that successfully provide similar services in other major urban centers. This new arrangement, which follows the key principles of governance recommended by the panel of transit experts, establishes a board that will be responsible and accountable for assuring that the New Muni will function at the highest level of its capability and give San Francisco one of the finest transit systems in the United States and perhaps in the world.

I'm pleased to report that at the final meeting of the Task Force on February 10, there was unanimous approval by all members present.

The members of the Task Force stand by to assist you in implementing these recommendations.

Sincerely yours,

John E. Hirten
Task Force Chair

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Joe Blue
Amos Brown
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I. INTRODUCTION

A. Background

For many years, San Francisco citizens and daily transit riders have complained about the quality of San Francisco Municipal Railway ("Muni") service and have called for significant improvement. Since Mayor Willie Brown's inauguration in January, 1996, significant efforts have been made to address the well known and well-publicized operational problems experienced by Muni. While the problems are not new, their frequency and severity have been somewhat dramatized since they have occurred against the backdrop of a Mayor's campaign commitment to "fix the Muni." To the credit of the Mayor and Board of Supervisors, Muni has enjoyed substantial budget increases of approximately $42 million during the two complete budget cycles under the Brown administration. These increases have followed a decade of systematic disinvestment in the City's transit system.

In addition to addressing Muni's financial crisis, the Mayor and the Board have taken other steps to address Muni's operational problems. Following the severe Muni Metro shut down during the transition to the Automated Train Control System in August of 1998, Mayor Brown took three important steps to address the community concerns. As a first step, he formed the Muni Council, which is composed of key City Department heads along with the Controller and the Director of the Transportation Authority, to focus on the immediate day-to-day problems of the Muni Metro system. In a second step, the Mayor and the Board of Supervisors approved a contract with the firm of Booz, Allen and Hamilton to assist in improving service within the Muni Metro system. As a third, and perhaps more significant step, the Mayor called for the formation of a "New Muni Task Force" charged with evaluating the current Muni structure affecting governance, funding and management and developing longer-term comprehensive solutions to Muni's problems. Implicit in this assignment was the clear acknowledgement that Muni's problems could not be solved through "quick fixes" and that the problems were deeply rooted in the ways in which Muni is governed, funded, managed and ultimately operated.

The Mayor appointed 30 citizens, elected officials, union representatives, Muni riders, neighborhood representatives, business persons and transit experts to this Task Force. He asked

Mr. John Hirten, a San Francisco civic leader and former federal and urban transit official, to serve as Chairperson. In addressing the assembled New Muni Task Force at its first meeting on October 29, 1998, the Mayor encouraged the Committee to be innovative, creative and to "think out of the box." He also indicated that the Task Force's findings and recommendations might find their way onto a Muni reform ballot measure in November of 1999. Such a measure would seek to eliminate conclusively many of the structural and institutional problems which dramatically inhibit Muni's ability to provide the reliable and quality transit service which is critical to the City's residents, businesses, visitors, environment and economy. The Task Force began its work in early November of 1998.

B. Purpose of Report

The purpose of this Report is to summarize and present the results of the Task Force's work. The Task Force approach generally was divided into two principal components. The first component consisted of the work performed by each of the four committees of the Task Force. These were: The Service Performance Committee, the Funding and Finance Committee, the Human Relations Committee and the Governance Committee. Each Committee had a Chairperson and between six to eight Task Force members, who voluntarily assigned themselves to work on the Committee. Each Committee established its own scope of inquiry, gathered input from Muni executive management and labor representatives and, through its own analysis and evaluation, developed findings and conclusions that, once melded together, form the basis of the recommendations of the Task Force.

The second component of the Task Force's work was to receive input from a select panel of transit experts brought in to evaluate Muni's operations, organizational and governance structure, funding situation and working environment. During a three-day period (December 7, 8 and 9, 1998) the panel worked with Task Force members to share with them its conclusions and recommendations regarding Muni, based on individual and collective experience in managing many of the largest and most successful urban transit systems in the United States. This independent, extremely knowledgeable input from the transit experts on the panel was both highly valued and very helpful to the Task Force in forming its conclusions and recommendations for change in Muni. Their report is included as Appendix B to this report.

As a result of both the independent work of the Committees and the input gained from the Expert Panel, the Executive Committee of the Task Force developed the format for this Final Report. Its purpose is to present the cumulative insights, analysis, evaluations, conclusions and recommendations developed during the course of the Task Force's work. Every effort has been made to meet the challenges laid before the Task Force when Mayor Brown outlined its mission. It is the belief of the Task Force members that our recommendations are critical to enabling Muni to regain its stature as one of the best urban transit systems in the United States. San Francisco residents and businesses deserve nothing less.

II. PROBLEM STATEMENT

A. Overview

Since the mid-1980's, San Francisco residents and businesses -- those who primarily use and pay for Muni -- have witnessed a slow, but inexorable, deterioration of service. This deterioration is exemplified most often by a lack of reliable and dependable service, transit vehicles (buses, trolley coaches, and particularly light rail vehicles) which often break down in the middle of service runs, employees who appear to be unresponsive to customer service concerns, an unusually high rate of absenteeism among drivers and maintenance workers and a clearly strained relationship between labor and management. The lack of dependable and reliable service has manifested itself in reduced ridership from previous levels and a frustrated, impatient and angry public that sees no measurable improvements. Although significant budget increases to the system during the last two budget cycles may have helped to arrest the deterioration, Muni is clearly perceived as not providing an acceptable level of performance. The series of audits and independent evaluations of Muni performed during the past several years underscore this perception. Perhaps most notable of these was the Proposition J mandated audit performed by the City's Budget Analyst in 1997. Other evaluations have been prepared by the Chamber of Commerce, SPUR and Rescue Muni, an independent watchdog organization composed primarily of Muni riders.

B. Problem Identification

Because of this plethora of recent analyses and evaluations of Muni's problems, this report will not dwell on or repeat the myriad of statistics that document Muni's reliability and service delivery related problems, which are available. Rather, this report will focus on the underlying institutional and structural issues, which are both the cause of the service delivery problems as well as impediments to correcting the problems. As an example, one of the most exasperating problems articulated by Muni riders is that buses (or trolley coaches, or light rail vehicles) do not arrive either at the time or with the frequency they are scheduled. When they do arrive they are either overcrowded or arrive in bumper-to-bumper "bunches" that frustrate riders dependent on timely service to get to and from work. While the specific reasons causing any particular vehicle to be late may vary, virtually all poor performance is linked to fundamental

institutional problems that result from a shortage of qualified drivers, of serviceable, safe vehicles, or of supervisors to ensure that the service is provided as planned and scheduled. Accordingly, this report will focus on the reasons underlying Muni's inability to provide sufficient drivers, mechanics, supervisory personnel, vehicles and adequate facilities in a manner conducive to reliable, safe and efficient transit service. The principal reasons, as identified by the Task Force and confirmed by the independent Transit Expert Panel, are these:

(1) Lack of institutional accountability. Muni simply does not have the capacity or the authority to make the decisions necessary to positively impact performance. Critical issues such as budget, fares, service levels and labor related issues are determined by a shifting combination of either the Public Transportation Commission, the Board of Supervisors and/or the Mayor. Because no single governing body is fully and exclusively responsible for Muni's performance and "bottom line," there is a lack of accountability by any of the entities overseeing Muni and consequently by Muni management itself.

(2) Lack of institutional capacity. Muni cannot guarantee or fully commit to the delivery of reliable, safe and consumer focused service simply because it does not control the processes, services and resources necessary to get the job done. Muni must be able to directly control the personnel, hiring and firing, procurement, legal service, security, contracting and financial reporting functions that are critical to its ability to perform. Dedicated expertise and continuity for each of those functions must be developed. A transit agency like Muni cannot be expected to perform well and respond quickly to problems if it does not control the functions and support services necessary to the operation. Without such control, it cannot be held accountable.

(3) Lack of institutional and financial stability. Transit agencies, such as Muni, are required to deliver a complex series of services for hundreds of thousands of riders daily in very stressful environments and on rigid time schedules. Such an organization cannot be expected to perform optimally without some managerial and financial stability. Muni has had four different General Managers in the last 8 years. Of these, none has served significantly longer than two years. Clearly, few managerial initiatives to fix problems can survive in this kind of a "revolving door" environment. Similarly, Muni's operating

budget historically has risen or fallen based on the changing economy and priorities of the City. A significant amount of Muni's budget is not dedicated and is often raised or lowered inversely by the Board depending on the amounts received from other dedicated sources. As a consequence, no long-term, responsible financial planning can take place given the financial insecurity Muni has had to live with over the last fifteen years.

Each of these problems was identified clearly and discussed during the Committee deliberations and confirmed by each of the members of the Expert Panel. Once they were documented, the Committees turned to the task of identifying and evaluating potential solutions or alternatives to correcting them.

III. ANALYSIS AND EVALUATION

A. The Plan of Analysis

Based on a common understanding of the institutional and structural problems facing Muni which was presented in Section II, the Task Force then configured its Committee structure in a manner to both (a) evaluate the various components of the problem and, (b) develop recommendations that would focus on structural and institutional deficiencies and comprehensively address the related problems. With this goal in mind, the four committees and their work scopes were as follows:

1. Service Performance Committee

This Committee was led by Mr. Arthur Shartsis, a senior partner in the San Francisco law firm of Shartsis, Friese & Ginsburg LLP. As a previous president of the Board of Directors of the Bay Area Rapid Transit District, Mr. Shartsis is uniquely qualified to evaluate Muni's goals, structure and, perhaps more importantly, the degrees to which Muni developed its programs and applied its resources to accomplish those goals.

Once the Committee had reviewed Muni's policy directions and met with executive staff, it became clear that within Muni today not enough attention is being paid to the systematic development of prioritized goals and programs because of Muni's immediate, crisis orientation of simply getting sufficient vehicles on the street to provide as much service as possible. The Committee believes that the Muni needs to develop realistic goals and programs that would be prioritized to achieve steady improvement that would restore reliable service. Accordingly, the Committee was guided by the concept of "Realistic Goals that Lead to Reliable Service."

The Committee then developed a set of ten major goals, each of which was supported by a series of quantifiable "measures" that, if accomplished, would indicate goal achievement. In addition, the Committee developed a comprehensive set of specific "programs" that need to be undertaken in order to meet each goal. Furthermore, each program has a specific cost or budget along with a time schedule for accomplishment. The ten goals are not intended to be inclusive of

all aspects of the Muni that need improvement; rather, they represent the priority activities necessary to revitalize and rehabilitate the system.

The work of the Service Performance Committee is crucial because it defines a new "vision" statement and direction for Muni over the next five to ten years. The Committee's recommendations lay out a complete roadmap for restoring service, credibility, customer service orientation, morale and pride in being a Muni employee. Importantly, the goals and programs identify how Muni can restore service and reliability through specific actions the public can understand and follow, and become a principal communications device to the public – so that the public can clearly see where Muni is on a progressive, direct path to a system in which the public can be proud. The Committee's Goals, Measures and Programs are included as an Appendix C to this Report. It is important to note that the Committee concluded that to achieve the goals, measures and programs, the fundamental structural changes being recommended are needed.

2. Human Relations and Customer Service Committee.

This Committee was led by Ms. Anni Chung, Executive Director of Self-Help for the Elderly. Ms. Chung has been very active in civic affairs in San Francisco for many years, and is very concerned about Muni service.

This Committee focused on issues directly affecting service quality, as well as the work environment within Muni. These issues included personnel, performance evaluations, communications, customer service, training and staff morale. With respect to personnel issues, the Committee met with Muni's Personnel Director as well as operations staff to identify hiring procedures, training, employee recognition programs and performance evaluations. Similarly, in the area of customer service, the Committee met with Muni's Director of Communications and her staff and reviewed the Department of Public Work's a quality assurance program, the need for a positive organization culture and teamwork, and a pro-active customer service plan. The Committee also met with, and had strong input from, representatives of the various labor unions heavily involved with Muni operations and administration.

The Committee developed a series of findings and conclusions regarding each of these areas. They are:

a. Communication – The new Muni organization should develop an imaginative communication plan for promoting internal and external information exchange, as well as a pro-active plan to involve more community groups, businesses and schools.

b. Customer Service – Develop an organizational culture based on pride of the organization, teamwork, service delivery and performance.

c. Personnel – The new Muni needs to develop a performance evaluation process consistent with established personnel policies which integrate core values of the organization including accountability, quality control, competency and pay-for-performance measures.

d. Training – There needs to be an ongoing training program for all Muni employees focused on customer service.

e. Staff Morale – The organization's culture and morale need to be addressed in a comprehensive way, from the General Manager on down, by policy makers, management, labor, employees and the general public in these areas:

(i) Work satisfaction and pride;

(ii) Continuous feedback for employees;

(iii) Employee Awards Recognition Program;

(iv) Involvement from the public and riders to compliment employees who are courteous, safe and helpful;

(v) Teamwork; and

(vi) Promote safety and improve work environment.

The Committee's findings and recommendations in each of these areas are incorporated into our final report. Many of these recommendations have been integrated into the programs developed by the Service Performance Committee.

3. Funding and Finance Committee

This Committee was chaired by Ms. Carmen C. Clark, the Executive Director of the San Francisco Transportation Authority, which serves as both the County Congestion Management Agency and the Local Transportation Authority for the administration of Proposition B one-half cent sales tax funds. As of January 26, 1999, Ms. Clark is also serving as the Interim Executive Manager of Muni.

The Funding and Finance Committee began its work by developing a complete and common understanding of Muni's current and projected financial health. The Committee reviewed past budgets related to both Muni operations and capital programs. The Committee examined Muni's primary sources of revenue and how they have and are expected to change over time. Similarly, the committee evaluated Muni's major cost elements and their past trends and proportions.

Once existing revenues and expenses were evaluated, the Committee reviewed Muni's future operating and capital requirements in order to assess where the greatest financial challenges lay. The Committee concluded that, with respect to Muni's capital program, the vehicle replacement program is currently in "good shape" with most funding identified and secured in sufficient amounts to replace most of Muni's current revenue vehicles. However, the biggest existing capital problem is with Muni's antiquated and undersized maintenance facilities. Coupled with this is the lack of adequate training programs for future maintenance of new equipment. Unfortunately, facilities are also an area that is not a high priority for federal and state funding; as a result, Muni will likely be required to fund facility rehabilitation and improvement primarily with local funds unless regional and state funding priorities and formulas can be modified. Muni is working on accomplishing these changes.

With respect to the operating situation, there is a clear recognition that, while Muni still remains significantly less than fully funded, the budget increases for Muni during the last two years (cumulatively estimated at $42 million) have helped considerably. However, significant future operating shortfalls are foreseen as service extensions into the Bayview/Third Street areas and Mission Bay demand more resources. Adding to the financial need related to higher service

is the elimination of Proposition B operating subsidies that are being used to operate capital projects (F-line and Embarcadero extensions) funded by Proposition B.

Based on this evaluation of Muni's financial capacity, several conclusions emerged. The first is that General Fund support for Muni cannot be reduced below current levels, even if other dedicated sources, such as parking revenues, increase above budgeted levels. Such General Fund reductions greatly inhibit Muni's fund raising efforts at the federal, state and regional levels. These reductions reduce the financial capacity to carry out the capital program as well as negating the positive impact of any additional outside revenues should Muni be successful in securing them.

The second conclusion is that, over time, Muni will require a significant, dedicated revenue source as a replacement for the current General Fund subsidy. The Committee discussed many alternatives including vehicle registration fees, motor vehicle fuel taxes, sales taxes and others. However, the membership recommended that alternatives for increased funding for Muni reflect the fact that non-San Francisco residents who use the Muni regularly should also bear some of the financial burden for improving the system. As a consequence, the Committee recommended that the City's business tax be used to support Muni as opposed to the General Fund. While it was recognized that the business tax contributes to the General Fund, the Committee believed there was a strong nexus between the business tax, to which all businesses contribute, and transit use since businesses largely generate home to work trips and businesses employ many non-residents who may use Muni for commute purposes.

4. Governance Committee

The Governance Committee was led by the Honorable Barbara Kaufman, a member of the Board of Supervisors. Both as a Supervisor and as recent President of the Transportation Authority, Ms. Kaufman has been a long-time participant in efforts to address Muni's problems.

The Governance Committee began by evaluating the current way in which Muni is both governed and managed in light of the findings and recommendations provided by the Transit Expert Panel in early December. The Committee began by developing and evaluating various alternatives for Muni governance and management structure. These include the four options identified below.

B. Four Organizational Options

Option 1. City Department – As currently structured in San Francisco.

This option assumes that Muni remains as a city department reporting to a five-member Public Transportation Commission, each appointed by the Mayor. The General Manager, serving as a department head, reports directly to the Mayor. Budgets, fare levels, and service (routes & stops) revisions are subject to approval of the Board of Supervisors. Other city departments provide key functions such as legal services, personnel services, procurement and security. However, because these City support departments must serve all the operating departments within the City, there has not been, at times, the responsiveness, staff continuity or transit expertise resident in those critical support departments.

This structure could be retained, thus possibly avoiding the need for charter revision. However, political accountability and responsibility for system performance would continue to be fragmented. Management would still lack the accountability and independence necessary to improve service delivery. Opportunities for bringing under Muni's control some of the functions now provided by other departments might be possible with additional funding, although Muni's continued dependence on the General Fund, a discretionary source of funding, seriously limits Muni's ability to plan its financial future with any certainty.

Option 2. City Department Controls Policy but creates Non-profit Organization to Run Operations.

This option would create a Transportation Department within the City government that would develop transportation policies and long range plans, manage procurement, and develop and implement parking and traffic plans. In addition, operations and maintenance of the entire daily transit service would be performed by a separate non-profit public corporation under contract with the City and managed by the City's Department of Transportation. This option has been used in Honolulu and in a variety of other transit agencies.

The charter could be amended in such a way that the annual budget, overall funding, fare and service policy responsibility would be set by the City, thereby providing the required protection of the public interest and assuring that the system is managed for the benefit of the citizens of San Francisco. By contrast, the operation, from the General Manager through and including all operations and maintenance personnel, would be provided by a contract with a separately created non-profit public corporation, able to react quickly to introduce new services and innovations. All permanent assets would remain City property, and equity in the corporation itself would be held by the City.

Option 3. Municipal Transit Agency.

This option would provide more autonomy and managerial scope than the present City department (Option 1), but less independence than a completely separate transit district (see Option 4 below). The Agency would have seven board members appointed by the Mayor and confirmed by the Board of Supervisors. Board members would have staggered fixed terms to assure continuity. The Agency would have the ability to control, within itself, all of the essential administrative and operational functions necessary to successfully operate Muni and that are typically found in modern, well-run transit districts and authorities. In particular, the Agency would internalize and control all labor, personnel, procurement, legal and security functions.

Key features would be:

(a) The Agency Board would hire and fire the General Manager,

(b) The Agency would receive a dedicated minimum percentage of the City's Business Tax, which may escalate over time,

(c) Collective bargaining over work rules and compensation would be conducted between the Agency Board and its unions,

(d) The Agency's operating and capital budgets would be prepared and adopted by the Agency's Board,

(e) Fares and service plans and routes would be set by the Agency,

(f) Agency Board members could be removed for cause by a concurrence of the Mayor and two-thirds of the Board of Supervisors,

(g) The general counsel and internal auditor would report to the Board,

(h) A Community Advisory Committee of fifteen members reflecting the diverse interests (ethnic, geographic, elderly, disabled community, commuters, etc.) of San Francisco citizens would be appointed by the Mayor (four members) and each member of the Board of Supervisors (eleven members) to serve for three-year terms on a rotating basis.

Option 4. Independent Transit District.

Under this option Muni could be re-established, pursuant to state legislation, as an independent transit district, in the same way most larger, urban transit agencies in the U.S. and California are organized. The four other principal transit agencies operating within the City limits, (Bay Area Rapid Transit District, Alameda-Contra Costa County Transit District, San Mateo Transit District and the Golden Gate Bridge, Highway and Transportation District), are all legally independent entities – "transit districts" with Boards of Directors elected or appointed in different ways. A key structural issue here would be reconciling the City's transit funding commitment (business tax/parking revenues/general fund/sales taxes), generated under the funding authority of a general purpose government (the City) with the administrative independence of the transit district, free of City oversight on day to day operations.

C. Evaluation Process

The Executive Committee reviewed and developed a set of criteria by which the options could be evaluated. These criteria were developed from the presentations of the Transit Experts Panel as they defined the common characteristics of a successful transit agency, referred to as "Key Principles of Governance." They are:

- Accountability

- Relative Independence
- Stability
- Competency
- Communications

These criteria are defined and included in Appendix D of this report.

Task Force member along with the Executive Committee of the Task Force used these criteria to evaluate the four options. Each option was discussed and "pros" and "cons" were raised with regard to each option. These discussions and evaluations are summarized below:

1) Option 1 – City Department As Currently Structured

This option was not considered as a viable option because it has resulted in less than acceptable performance by Muni. Since it represents the situation the Task Force members have been assembled to "fix," the members believe that it should not be pursued as a realistic alternative.

2) Option 2 – City Department Sets Policy; Nonprofit to Run Operations.

While, in theory, this option would represent a very viable alternative to restructuring Muni, the Task Force members concluded that the use of a contract operator for all of the Muni routes would not prove to be an acceptable structure to the City's residents. This alternative was considered to require too extreme a change in the manner in which transit services are provided in San Francisco to be viable. However, in a city with a different history, this alternative could prove very workable and efficient.

3) Option 3 – Autonomous Municipal Transit Agency.

This option became the preferred option because it was considered to be the alternative most capable of addressing Muni's structural and functional problems without the disadvantages associated Option 4. The reasons for choosing Option 3 are detailed under Section 5, "The Plan to Fix Muni."

4) Option 4 – Special District.

The Task Force's evaluation rated Option 4 high because it is the way most well-run transit agencies today are structured – as independent transit districts. However, implementation of Option 4 would require State enabling legislation. In addition, it would remove the transit district from any City oversight or control while still requiring some $50 - $60 million annually from the City to help subsidize operations. The Task Force believed that these two "cons" made it unlikely that Option 4 could be implemented politically in the near term.

In summary, the Task Force believes that many of the features that Option 4 offers – independence, accountability, stability, etc. – can be captured in Option 3. These advantages were contingent upon (a) Muni being provided some form of dedicated revenue and (b) ensuring that the Board of Directors and management of the new agency are provided enough discretion and autonomy to allow it to function in the manner an independent transit district would. Based upon these conditions, Option 3 is the preferred alternative of the Task Force and is our recommendation to Mayor Brown for implementation.

IV. FINDINGS AND CONCLUSIONS

A. Findings

Based on the analysis and recommendations provided to the Task Force by the Transit Experts Panel as well as the analysis and deliberations of each of the four working committees of the Task Force, the Executive Committee and Task Force itself, the following are the findings of the Task Force:

(1) Muni currently does not have a realistic set of goals, objectives and programs that collectively can be used to implement a comprehensive plan for improving the system and its performance. Muni's existing goals and objectives do not provide comprehensive guidance to overcome or correct pervasive operational and management problems.

(2) Muni's governance structure, which is currently divided among the Mayor, the Public Transportation Commission and the Board of Supervisors, precludes clear accountability and responsibility for setting policy and guiding Muni to restore reliable service and public credibility. Muni's current form of governance is anachronistic and contrary in concept to principles underlying modern, well-run transit operations.

(3) Muni's budget development and funding processes do not provide assurances that current service levels can be adequately funded either presently or in the future. Furthermore, Muni's current budget development process is not related to what is financially required to adequately fund operations and maintenance necessary to meet scheduled service. As a result, Muni's budget is chronically short of what is required to meet minimally acceptable service.

In addition, discretionary General Fund resources have been historically used as a budget "plug" amount that has been lowered and raised during the budget cycle to accommodate increases (or decreases) in other, dedicated funding. Use of, and reliance on, the General Fund in this manner both undercuts Muni's ability to secure additional outside funding, as well as guarantees that Muni's adopted budget will remain underfunded when compared to service needs.

(4) Currently the relationship between management and labor within Muni is very strained. Productivity in the work place has correspondingly suffered with abnormally high unexcused absenteeism and worker's compensation return-to-work concerns. The adversarial atmosphere that currently exists must be corrected through revising and modernizing the ways in which labor and management interact over wages, benefits, working conditions and work rules.

B. Conclusions

In light of the comprehensive nature of the institutional, financial, governance and cultural problems facing Muni, the City must make bold and comprehensive changes before Muni can realistically embark on a path to restore service on the street, credibility with the public and internal morale and esprit for Muni employees and managers.

"Quick fixes" are not expected to be successful based on the severe problems involved. Additionally, the Task Force believes that anything short of a comprehensive approach to each of the problems articulated in this report would prove futile. Dealing with either the governance, institutional or funding issues in isolation of the others will prove ineffective. Additional funding without governance and institutional changes will result in less than optimal impact and effective use of the funding. Clearly, it is the collective opinion of the Task Force that comprehensive change is necessary and that such change is absolutely essential to meaningful and constructive improvement in Muni's service delivery ability.

V. THE PLAN TO FIX MUNI

The Task Force recommends that, in consideration of the structural and institutional problems identified in Section II and the options available for addressing these problems as presented in Section III, the Mayor, in conjunction with the Board of Supervisors should take immediate steps to implement Option 3, which would include, but not be limited to, the major elements identified below. These elements address how such issues as governance, structure, service standards, personnel matters, funding and budget preparation in a restructured Muni would be handled.

In developing the following elements, a paramount concern of the Task Force was the issue of accountability. As discussed previously in this report, the current governance structure provides little or no clear accountability for MUNI performance. In addition to focusing responsibility for Muni performance on to a single board of directors, the elements below clearly require the board to establish specific performance standards, criteria for meeting explicit service goals and measures to ensure the restoration of service schedules with reliable and safe service.

- GOVERNANCE AND DUTIES

(1) Pursuant to a Charter Amendment, an autonomous Municipal Transit Agency would be established as an agency within the government of the City and County of San Francisco with responsibility for the development, operation and coordination of public transportation within the City and County of San Francisco. Once the Agency is established, the Municipal Railway would become a department of the Agency.

(2) The Agency would exercise the powers and duties now vested in other departments, boards and commissions of the City and County related to the operation of the Municipal Railway and its real, personal and financial assets. The Agency could contract with existing City and County departments for providing specific services.

(3) The Agency would have exclusive responsibility for the operation, management, maintenance, supervision, construction, extension, use and control of all property, as well as real, personal and financial assets of the Municipal Railway, provided that any contract for transit service to be provided by an independent contractor would require approval by ordinance of the Board of Supervisors.

(4) The Agency would be governed by a seven-member Transit Agency Board of Directors appointed by the Mayor and confirmed by the Board of Supervisors. Board members would serve four-year terms with initial appointments for staggered terms so as to ensure continuity. Initial terms would be designated by the Mayor. The members of the Board must have general financial, senior management, public transportation, labor relations, labor, or other significant governmental experience. The Board shall include at least some members who are Muni riders.

(5) The Agency would establish a Citizens Advisory Committee ("CAC") to advise the Board of Directors on matters pertaining to system reliability and performance, system safety and security, customer service, routes and stops, distribution of service, and communications with the public. The CAC would be composed of fifteen (15) San Francisco residents, eleven (11) of which are appointed by the Board of Supervisors (one per supervisor) and four (4) appointed by the Mayor. The appointments should reflect the City's ethnic, racial and geographic diversity. No fewer than ten (10) of the members would be regular Muni riders.

(6) The current Charter provision permitting the Board of Supervisors to merge the Department of Parking and Traffic with the Department of Public Transportation shall remain in effect until, and at which time, the Board of Directors of the agency chooses to effect the merger.

- SERVICE STANDARDS, GOALS AND ACCOUNTABILITY

(7) No later than July 1 of each year, the Agency would adopt a comprehensive set of goals, objectives and measurable performance standards for the Municipal Railway along with plans, programs and policies to achieve those goals, objectives and performance standards, all of which must effectuate the City's Transit First Policy. A recommended set of ten goals developed by the Service Performance Committee is included as Appendix C to this report.

(8) The standards for the Agency with respect to the services provided by the Municipal Railway would include measurable standards for system reliability, system performance, staffing performance and customer service.

(9) No later than February 1 of each year, pursuant to Proposition B as passed by the voters in November 1998, the agency would adopt and submit to the Board of Supervisors a Customer Service Plan containing a comprehensive set of goals, objectives and measurable performance standards for the Municipal Railway. The agency would also define the plans, program and policies to achieve those goals, objectives and performance standards, all of which must effectuate the City's Transit First Policy. Furthermore, no

later than February 1 of each year, the agency would file a report with the Board on how the Municipal Railway met the previous year's Plan, if any. A recommended set of ten goals developed by the Service Performance Committee is included in Appendix C to this report.

(10) The Agency would establish as a performance measure an annual "Base Level of Service" (annual scheduled revenue vehicle service hours) that would be a minimum level of transit service required for the health, safety and economic well-being of the City and County of San Francisco. This adopted Base Level of Service would also be used as a bench mark in developing the Authority's annual operating budget (see No. 15 below). The Base Level of Service is estimated to be 4.5 million revenue vehicle service hours. Currently, Muni estimates that approximately 4.1 million service hours are being provided. The Base Level of Service, unless increased by the Board of Directors, should be provided by Fiscal Year 2001.

- PERSONNEL SYSTEM

(11) The Board of Directors would appoint the General Manager, who would serve as the chief executive officer of the Agency, and would deal with the administrative matters solely through the General Manager or his or her designees. The General Manager would then appoint all key management personnel of the Authority, with the exception of an Internal Auditor, General Counsel, and Board of Directors' Secretary, who would be hired by the Board and serve at the pleasure of the Board. In situations where any claim against Muni equals or exceeds $1,000,000 in total, the General Counsel will be required to obtain the concurrence of the City Attorney on any terms of settlement and on the conduct of litigation.

(12) The Agency would act as the personnel office for its employees, including employees of the Municipal Railway, and should determine appointments on the basis of a civil service system that it establishes and administers and that is based on merit and fitness as shown by appropriate tests. All powers and duties vested currently with the Civil Service Commission with respect to the merit system, patronage, favoritism and discrimination will remain, with the exception that the Agency would have the right to restructure and

set specifications for position classifications within the Municipal Railway. All powers and duties of the Department of Human Resources and the Human Resources Director as to selection and appointment of employees in the Agency would vest with the Agency.

(13) The Agency would exempt from the civil service system such management, supervisory and policy level employees as it deems appropriate, and the persons serving in those positions shall serve at the pleasure of the General Manager. Nothing would preclude such employees from collectively bargaining for wages, hours, working conditions, and benefits except for retirement benefits. The Civil Service Commission would annually review both exempt and non-exempt classifications of the Agency and should make such recommendations as it deems appropriate to the Agency.

(14) The wages, hours, working conditions and benefits of the employees of the Agency would be fixed by the Agency after meeting and conferring as required by the laws of the State of California. The Agency may, in its sole discretion, determine that it is in its best interest to utilize a citywide contract when the Agency employs a relatively small number of a bargaining unit's City and County workforce.

- FUNDING

(15) There would be established a Municipal Transportation Fund to provide a predictable, stable, and adequate level of funding for the Agency. The fund would be maintained separate and apart from all other City and County funds. Monies therein would be appropriated, expended or used by the Agency solely and exclusively for the operation, including without limitation, capital improvements, management, supervision, maintenance, extension, and day-to-day operation of the Agency and the Municipal Railway.

(16) Beginning with the fiscal year following enactment of the requisite Charter revisions establishing the Agency and in each fiscal year thereafter, there would be set aside into the Municipal Transportation Fund, the following:

a) An amount or equivalent thereof (the "Base Amount") to be allocated from the Business Tax as specified under Part III, Article 12-A (payroll expense tax) and

Article 12-B (business tax) of the San Francisco Municipal Code. This Base Amount would be no less than 35% of the Business Tax, as defined above, for the fiscal year immediately preceding enactment, adjusted as provided in No. 15 below;

b) The entire gross revenues of the Municipal Railway, including but not limited to, parking revenues as defined in Section 3.707 of the Charter;

c) All other funds received by the City and County from any source, including without limitation, state and federal sources, for the support of the Municipal Railway.

d) Amounts from the General Fund equal to any diminution of the off-street parking fund due to allocations or pledges of the fund for the purposes of major capital outlays as defined in Section 3.707 of the Charter.

(17) The Base Amount would initially be calculated by the Controller. The Base Amount would be adjusted upward by 1% above the initial 35% each year for 3 years (up to a maximum of 38%) after the initial year of operation, based on calculations consistent from year to year. Any upward adjustment beyond 35% would be contingent upon charging fares sufficient to maintain a farebox recovery ratio of at least 36%. The farebox recovery ratio is defined as total annual passenger fares plus advertising revenues divided by the operating costs of the Municipal Railway.

- <u>BUDGET</u>

(18) Each year, the Agency, in conformity with the regular budget cycle of the City and County, would prepare and adopt an annual operating budget for the Municipal Railway that is adequate in all of its aspects (platform force, transportation supervision, maintenance, maintenance supervision, power, consumables and management, and all other pertinent categories of expenditure) to provide the Base Level of Service (see No. 8 above). In adopting such budget, the Agency would specifically certify the adequacy of the budget to provide at least that overall level of service, although nothing should prevent the Agency from increasing the level of service, or adjusting the deployment of

those service hours among routes or modes as passenger demand or other managerial issues or practices could require.

(19) The certification of budget adequacy would be subject to audit by an independent certified public accounting or management consulting firm knowledgeable in transit operations and competent to perform such audit. Such independent audit would be paid for from the operating funds of the Agency.

(20) If in any one given year Agency revenues were projected to be insufficient to operate the Base Level of Service, the Agency could declare existence of a budget emergency for that year, and may adopt a smaller budget. In such case, however, the Agency would, prior to adopting the annual operating budget, enact service reductions to such aggregate level as may be completely and reliably operated, as noted above, by the Municipal Railway under such a reduced budget. Such service reductions would be required unless the Board of Supervisors makes available to the Agency additional funds in an amount sufficient to make the reduction in service unnecessary.

(21) As with an annual operating budget which fully funds the Base Level of Service, the Agency could, in adopting the Municipal Railway's operating budget, specifically adopt a certification that the reduced operating budget is sufficient in every way to enable to Municipal Railway to fully operate the reduced aggregate level of scheduled service. Such certification shall be subject to the same public auditing provisions noted in No. 17 above.

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APPENDIX A

*Members of the New Muni Task Force

*(Participants as individuals and do not necessarily represent their organizations, which are listed for identification purposes only.)

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APPENDIX B

NEW MUNI TASK FORCE

SUMMARY OF PRESENTATIONS

BY

THE TRANSIT EXPERTS PANEL

TO

THE NEW MUNI TASK FORCE

December 8,1998
San Francisco, California

SAN FRANCISCO MUNICIPAL RAILWAY 949 PRESIDIO AVENUE, SAN FRANCISCO, CALIF. 94115 415-673-6864

NEW MUNI TASK FORCE

TO: Mayor Willie Brown January 15, 1999

We are pleased to submit a summary of the individual reports presented by "The Transit Experts" to the New Muni Task Force on Tuesday, December 8, 1998 at our meeting at the Hyatt Regency here in San Francisco.

The panel members were instructed, from their point of view and particular experience, to describe what works and what doesn't work when attempting to run a large urban transit program.

The summary reports are quite clear and to the point. While each member represented a different agency or background, based on their professional experience, they all reached very similar conclusions, regarding what kind of institutional and organizational structure is needed to run an efficient and effective transit program.

In a follow-up meeting the panel members and the executive committee of the task force, jointly agreed on "Key Principles of Governance" as guidelines for any restructuring of Muni. These principles were used as our guidelines for determining the recommendations in the final report.

We trust that our final report, along with these summary comments will be helpful in your deliberations We stand ready to assist you in implementing a plan of action to achieve a New Muni.

JOHN E. HIRTEN
CHAIR

Table 1

Comparative Forms of Transit System Governance

Major U.S. Transit Systems

Transit Agency	Annual Passengers (Millions)	Type of Government Body	Form of Governance	Autonomy From General Government/Reliance on stable funding	% Annual Local Appropriation [1]	Separation of Policy From Operations	Governing Body Focus/ Other Responsibilities of Governing Boards	Major Sources of Dedicated Public Funding
NY-MTA NYCTA	1,990,541	special district	17-member board appointed by Governor	high-dedicated funds	70.1%	several operators under MTA	bridges/other transit modes	income,sales,gasoline,other
Chicago-RTA-CTA	444,670	special district	12-member RTA board w/ 5 from Chicago. Balance from suburbs	high-dedicated funds	1.3%	several operators under RTA	transit focus	sales
LA LACMTA-Metro	364,643	special district	14-member board representing City of LA, County and Suburbs	high-dedicated funds	0.0%	no	some highway planning	sales,gasoline
Philadelphia-SEPTA	317,832	special district	state agency - 15 member regionally appointed board	high-some dedicated	14.1%	no	transit focus	other taxes,
Washington-WMATA	317,593	special district	regionally appointed board of directors	high-little dedicated	56.5%	no	transit focus	some gasoline
Boston MBTA	313,171	special district	7-member board serve at pleasure of Governor	high-no dedicated	26.6%	no	transit focus	
San Francisco-Muni	214,469	municipality	city department/transp commission/mayor/board of supervisors	low-little dedicated	67.0%	no	general government responsibilities	some sales tax
New Jersey Transit	191,225	special district	7-member board appointed by Governor	high-partial dedicated	1.0%	partial separation	transit focus	
Atlanta-MARTA	144,805	special district	14-member regional board w/three ex-officio	high-dedicated funds	0.0%	no	transit focus	sales tax
Baltimore-Maryland-MTA	101,216	state agency	department of Maryland DOT	low-dedicated funds	0.0%	no	transit focus	unknown
Seattle Metro	90,534	county dept	county department/county executive/county council	low-dedicated funds	0.5%	no	general government responsibilities	unknown
Houston-Metro	80,848	special district	9-member board - regional appointments	high-dedicated funds	0.0%	no	some roads and highways	sales tax
Miami-MDTA	79,800	county agency	department of county government	low-general revenue	76.5%	no	general government responsibilities	some gasoline
Pittsburgh-PAT	72,922	special district	8-member regionally appointed board	high-partial dedicated	14.7%	no	transit focus	
Portland-Tri-Met	71,330	special district	7-member board appointed by governor	high-dedicated funds	0.0%	no	transit focus	payroll tax
Denver-RTD	69,924	special district	15-member elected board	high-dedicated funds	0.0%	no	transit focus	sales tax
Honolulu-DTS	69,105	municipality	city department/mayor/city council	some-general revenue	95.9%	non-profit under city dept	general government responsibilities	
Cleveland-RTA	64,858	special district	10-member board of trustees	high-dedicated funds	0.0%	no	transit focus	sales tax
Oakland-AC Transit	64,157	special district	7-member board elected from districts	high-dedicated funds	6.5%	no	transit focus	sales, property
Minneapolis-St Paul MCTO	61,905	special district	16 member board of directors appointed by Governor	high-mostly dedicated	31.0%	no	water/sewer/parks	property
New Orleans RTA	60,745	special district	7-member board of directors	high-dedicated funds	0.0%	no	transit focus	sales
Milwaukee-County	59,988	county	county department/county executive/county council	some-general revenue	21.9%	non-profit under county dept	general government responsibilities	general revenue
St. Louis-Bi-State	50,610	special district	Illinois/Missouri appoint 10 member board	high-general revenue	90.1%	no	airports, gateway arch parking	general revenue
San Jose-SCCTD	49,011	special district	12 member regionally appointed	high-dedicated funds	0.0%	no	some highway planning, CMK	sales tax
Dallas-DART	48,480	special district	15-member regionally appointed board	high-dedicated funds	0.0%	no	transit focus	sales tax
Detroit-D-DOT	46,304	municipality	municipal department/city council	low-partial dedicated	44.7%	no	general government responsibilities	gasoline tax
LA-OCTA	43,967	special district	11-member board/mostly city and state elected officials	high-dedicated funds	0.0%	no	multi modal includes HO highway	dedicated property tax
Las Vegas - ATC/Vn-Com	38,638	special district	private contractor/regional transportation Commission	high-dedicated funds	0.0%	profit contractor under RTC	transit focus	sales tax
San Antonio-VIA	38,677	special district	11-member board	high-dedicated funds	0.0%	no	transit focus	sales tax
San Diego Transit	38,178	special district	non-profit, profit and municipal operator under MTDB umbrella	high-mostly dedicated	1.0%	several operators under MTDB	transit focus	sales tax
Chicago-RTA Pace	35,950	special district	12-member RTA Board w/ 5 from City of Chicago	high-dedicated funds	3.5%	several operators under RTA	transit focus	sales tax
Phoenix PTD	10,184	municipality	municipal department w/ privatized contractor	some-general revenue	70.8%	profit contractor under City	general government responsibilities	general revenue
Buffalo-NFTA	27,644	special district	11-member board of commissioners	high-dedicated funds	8.5%	no	transit focus	gasoline tax,sales, property
Cincinnati-SORTA	26,456	special district	11-member appointed board/independent special district	high-dedicated funds	0.0%	no	transit focus	income, gasoline
NY-MTA-Long Island Bus	25,731	special district	17 member board appointed by governor	high-general revenue	50.7%	several operators under MTA	transit focus	general revenue
Sacramento-RT	25,189	special district	7-member board comprised of city and county elected officials	high-dedicated funds	27.5%	no	transit focus	unknown
Salt Lake City-UTA	24,472	special district	independent special district w/ 5 member Board	high-dedicated funds	0.0%	no	transit focus	sales tax
Ft. Lauderdale-BCT	24,272	county Dept	county department	low-partial dedicated	41.5%	no	general government responsibilities	gasoline tax
LA Long Beach Transit	23,783	special district	6-member board of directors	high-dedicated funds	0.0%	no	transit focus	sales tax
SF-SamTrans	19,105	special district	9-member board comprised of regional elected officials & public	high-dedicated funds	0.0%	no	transit focus	sales tax

[1] Percent of operations funds derived from local government general revenue

Source: Compiled from various sources; statistical data from national Transit Database, 1996 Data Tables, Federal Transit Administration

SAN FRANCISCO MUNICIPAL RAILWAY 949 PRESIDIO AVENUE. SAN FRANCISCO. CALIF. 94115 415-673-6864

NEW MUNI TASK FORCE

MEETING WITH TRANSIT EXPERTS PANEL

Tuesday December 8, 1998
9 a.m.. to 3 pm., Lower Ballroom B
Hyatt Regency, 2 Embarcadero
San Francisco, CA, 94111

AGENDA

1. Welcome and Roll Call

2. Purpose of the Meeting

3. Presentations
   - Patricia McLaughlin
     Vice President, MIG
     Chair, Public Transportation Section
     Transportation Research Board

   - Louis J. Gambaccini
     Director, National Transit Institute
     Rutgers University, New Jersey

   - Alan Kiepper
     Senior Vice President
     Parsons. Brinckeroff. Quade and Douglas

   - Roger Morton
     Senior Vice President & Chief Operating Officer
     Oahu Transit Service – City and County of Honolulu

   - Thomas F. Larwin
     General Manager,
     San Diego Metropolitan Transit Development Board

   - Paul A. Toliver
     Director
     King County Department of Transportation, Seattle. Wash.

4. Questions and Answers with discussion among panel members

5. Conclusion and Next Steps

December 16, 1998

To: John Hirten
Chair
New Muni Task Force

From: Patricia V. McLaughlin
Chair, Public Transit Section, Transportation Research Board
Director, Transportation and Management Services, MIG, Inc.

Subject: Observations on San Francisco Municipal Railway (Muni) Organizational and Operational Issues

Thank you for the opportunity to participate in the Expert Panel for the New Muni Task Force. I was impressed by the dedication of the individual Task Force members and the willingness to tackle the tough issues facing Muni.

You asked for our observations on ways that Muni could improve its ability to perform efficiently and effectively in is mission to deliver comprehensive transit service to San Francisco's varied, active transit communities, including residents, workers and visitors. You also asked for our thoughts on how some of the principles we had discussed – accountability, stability, customer focus, communications – can be addressed in designing a new institutional structure to meet the goals and objectives in Muni's mission.

I would say that four key areas need to be addressed for Muni to succeed. These are:

- Accountability and Decisionmaking
- Business Planning
- Customer Focus
- Employees and Management

My thoughts on these issue areas are as follows:

Accountability and Decisionmaking
This is probably the key issue for Muni, from my perspective. Currently Muni is a City Department. While it reports to a Public Transportation Commission(PTC) on most items, the issues most tied to accountability – budget, fares and service – also go to the Board of Supervisors, which can tend to "second guess" the PTC, especially when items are controversial. Since there is little direct communication between these bodies, it appears that decisions made by the PTC on fares and service can be directly overturned by the Board of Supervisors, which can lead to lack of accountability by either body for Muni's "bottom line". Similarly, labor negotiations are handled directly by the Mayor's office, not the Muni General Manger. This can lead to confusion on the part of both management and labor and can form a barrier to labor-management initiatives, since the direct relationship between management and labor is necessary for this type of direct, honest dialogue to take place.

While the City appears to have a positive, proactive attitude toward transit, it is natural for other municipal needs to take precedence when there are competing demands for the general fund. From a transit perspective, customer base, budget, fares and service are directly linked and interdependent. In order to turn Muni around, there needs to be an independent Board of Directors, with direct responsibility for budget, fares and service. Preferably, there should also be a dedicated funding source or sources.

In terms of decisionmaking, an independent Board should set policy and the General Manager should be given the authority to carry it out.

Business Planning
Because transit funding tends to be dependent on state and federal grants it is, in general, somewhat unpredictable. However, in Muni's case it is made worse by the fact that Muni is a Department of the City of San Francisco and has no dedicated funding source and no predictable source of local funding. This leads to the inability to do standard business planning, where Muni would determine customer needs, set clear objectives and design strategies to meet and measure progress toward those objectives. Muni should define its customer base, develop goals and objectives to meet the needs of those customers and develop performance measures to gauge progress toward meeting those objectives.

Customer Focus
Since Muni has generally high ridership, it might be assumed that "customer focus" is a given. However, customer service has been lacking. There is no marketing function, per se, and little evident market research. In addition, employees efforts to serve the customer are hampered by continuing problems of equipment and infrastructure. Employees, being the most visible "face" of Muni, can become targets of passengers' ire. This can lead to lack of a sense of purpose and burnout, which can exacerbate problems of absenteeism. There should be a renewed focus on defining customer needs and involving the employees directly in devising strategies to make sure those needs are met

Employees and Management
On the surface, the large number of employee unions is the most evident feature of Muni. While this makes labor-management relationships more complex, a larger issue is that of accountability and communications between the General Manager and the represented employees. As I mentioned earlier, the fact that the unions negotiate directly with the Mayor means that the union leadership does not have to develop a direct relationship with Muni's General Manager – and vice versa. Absenteeism and missed work runs are also a symptom of a larger issue that appears to be a combination of lack of ownership, poor communications and negative incentive systems.

In addition, any productive transit organization needs to have stable leadership with the authority and accountability to get things done. The reporting relationships among the Mayor, Supervisors, TPC and General Manager get in the way of this at Muni.

Conclusions

Muni serves a great city and has several significant challenges facing it. The following process could work in helping Muni sort through its problems and reach consensus on solutions:

Goals and Principles: Determine customer needs, purpose and direction for the organization

Stable Organizational Structure: Create a board structure that is independent and separates policy from operations. Empower the Chief Executive Officer (CEO) to make operational decisions within the broad policy directions set by the Board. Equip the CEO with decision-making over hiring and compensation of subordinates.

Transition Plan: In addition to the goals and objectives of the organization, develop people systems that develop a common corporate culture and values centered on the customer. Consider employee and communications needs along with technical needs.

Accountability and Performance: Establish measurable objectives, track performance against that objective and measure progress. Make sure these goals, objectives and performance measures are understood and communicated to all levels of the organization and outside the organization.

Systems: Ensure that technical, administrative, reward and people systems support the new organizational structure and mission. Establish direct communications between management and labor. Change charters and requirements so that employees are hired and rewarded on the basis of their ability to contribute to the new, customer-oriented system.

Outreach and Communications: Communicate transition at all levels of the organization. Develop ways to communicate issues and Muni's progress on addressing these issues to the press, elected officials, the press and employees.

I enjoyed participating in the New Muni Task Force Expert Panel. There is great talent and energy among the Muni employees and Task Force members that we met. It appears that the organizational structure is one of the key barriers to Muni's success. I believe that establishing the Task force and focusing on Muni while involving key staff and employees in solutions to the problems, is a positive step forward. I wish you, the Task Force and Muni employees success in your efforts.

Sincerely,

Patricia V. McLaughlin
Chair, Transportation Research Board Public Transit Section
Director, Transportation and Management Services, Moore Iacofano Goltsman, Inc. (MIG)

National Transit Institute

December 14, 1998

To: John Hirten

Fr: Louis J. Gambaccini

Re: Summary: Personal Conclusions of my Muni Panel Participation 12/7-9/98

Thank you for the opportunity to participate in the six-person panel recently convened concerning Muni and its current issues. I was very positively impressed with the quality of the visiting panelists and with the commitment, care and candor of the members of the local task force and the members of the Muni staff.

You asked each of the panelists to highlight for the task force our individual reactions to what we heard as problems and areas for intervention.

My views are summarized as follows:

About Muni: Muni is a vital, indeed indispensable, asset to San Francisco. It has grievous systemic problems despite what I perceive to be generally dedicated competent professional staff and good extensive base infrastructure.

Given the significant and serious problems that exist (overage equipment, service unreliability, strained labor/management relations and significant problems of lost credibility with the public). I believe this is the time of unique opportunity to try to build broad support for systemic (i.e. structural) improvements to the system.

From the description of what works best elsewhere as reflected in the reports of all the panelists, from what we learned from staff of Muni and the task force and from my own personal experience over 35 years in the transit industry in 3 major transit agencies and finally from my experience as active participant in national professional and trade organizations, I conclude as follows:

1. Relative Independence: It is not an accident that most successful transit agencies around the world are organized as quasi-governmental entities outside of the conventional political framework. They are typically governed by Boards of Directors appointed by the chief executives (state or local) to provide policy direction to a trained, competent professional staff. It is in the nature of the transit activity that it is intrinsically enterprise characterized often by intense stresses to deliver complex services on rigid time schedules affecting hundreds of thousands of riders daily; requiring in short a

combination of military and business type decision environment. Teamwork, highly trained staff and assertive decisive action in decision making are essential to such operations. The nature of the business requires maximum independence in the operation and a single minded focus in the delivery of customer sensitive, cost effective service on an on-time basis to support the city's economic and quality of life. Transit is truly the circulatory system of any great city. I believe it vital that Muni have a Board of Directors empowered to give policy direction to all aspects of the operation with a minimum of (preferably no) intervention by other agencies or entities in the day t o day operations or support systems. Board members should be comprised of very carefully selected members who serve for overlapping terms (assuring stability/continuity), care deeply about the importance of the mission, be committed to investing the time and effort required, regard such service on the Board as a great privilege and trust, serve without compensation, bring significant diverse experience to the mix, take their fiduciary responsibility very seriously, and regard transit as their exclusive focus as members, undiluted by competing personal and political agendas.

2. Accountability: It is axiomatic in business and government (or in any human organization) that authority and responsibility must be in balance each with the other to optimize performance. It is unfair if not impossible to hold an executive responsible (accountable) if he/she is not given the tools or the authority to perform. Currently diverse entities and boards have a piece of the Muni management and decision-making responsibility and make effective performance by the General Manager well nigh impossible.

I believe strongly the General Manager should have control (he/she may opt to sub-contract certain support staff services but must have the right & obligation to cancel such contracts if performance is lacking) over all the vital functions of an enterprise (legal, financial, personnel, police, etc.), the right to hire and fire managers and administrative & clerical staff should be unequivocal. Ideally, all non-union personnel should be outside of civil service and serve at will.

3. Stability: It is essential that to the greatest extent relative stability be achieved & maintained:

Ideally:

1. Funding tied to 3-5 year Strategic Plans
2. General Managers of proven skill and professionalism should be provided incentives to stay in office for 5-10 years.
3. Board members with 4-6 year overlapping terms (removable for cause only) are carefully selected.
4. Investment in training and career development of staff to assure top performing people throughout the organization.

I believe that if the structure is changed to significantly achieve these three principal objectives inevitably the dividends will multiply and radiate throughout the organization

in the form of myriad measures of management and performance namely, for example, improving:

- Morale & loyalty of employees
- Operating measures compared with prior periods and with peer groups.
- Credibility & support of the public.
- Political and financial support.

Thank you again for the chance to have participated in this worthwhile project. I wish you and your associates every success. Please let me know if I may be of future assistance.

Memorandum

To: John Hirten

Chairman - Muni Task Force

From: Alan F. Kiepper

Date: January 5, 1999

Subject: Key Ingredients In A High Performing Organization

There are common traits that are seen in most high performing public transit organizations. These are:

1. RELATIVE INDEPENDENCE

Relative independence means having under the control of the transit agency and the CEO, the processes and services necessary to get the job done. In the case of a transit agency this means control over personnel actions, procurement and contracting authority, budget control and financial reporting, and prompt access to legal services. The budget would, of course, require approval of the governing body. An example of what I'm talking about: the Metropolitan Atlanta Rapid Transit Authority (MARTA) preceded the Metro Dade County Transit project by about two years. Metro Dade drew heavily on the MARTA experience, yet it fell behind in construction, cost control, and schedule. An examination of the two organizations reveal that, unlike MARTA, Metro Dade was required to rely on the Dade County Government for procurement, legal services, financial reporting, and other key responsibilities. Provision of these services was subject to the regular bureaucratic delays. Metro Dade could not get the prompt action required, particularly procurement, financial and legal matters, to keep the project on schedule.

The lesson here is that if you expect a transit agency to be high performing, give it relative independence and control over the support services that it needs, then you can truly hold it accountable.

2. ACCOUNTABILITY

It is essential that the chief executive, by whatever title known, have the tools to do the job. The most important tool of all is the freedom to chose

subordinates. The more restrictions you place on the CEO's choice of subordinates, particularly the key members of his or her management team, the less accountable he or she becomes. There should be no restrictions on hiring or firing except those required by law (non-discrimination because of race, religion, or sex). Accountability and freedom to chose subordinates go hand and hand. You can not hold someone accountable if they don't have the free choice of their subordinates. This means that such things as layering a civil service system over union contracts presents a insurmountable task for the exercise of true discretion on appointment of key personnel and invariably delays and/or frustrates the process.

3. COMPETENCE

It almost goes without saying, but not quite, that the goal of the selection process should be to select the most competent people. A high performing organization needs to hire the most competent people it can lay its hands on. Using a standard which requires consideration of everyone who has passed an examination as being qualified for a position doesn't ensure that the best qualified can be appointed.

Competence needs to be judged in terms of objective and subjective criteria. Objective criteria can reasonably be measured by education and an evaluation of related experience. Subjective criteria are more difficult to pin down. A lot of it deals with the chemistry that exists between individuals. The right chemistry can lead to an effective working relationship based on common values and mental processes. It is largely intangible and can only be evaluated by the interaction of personalities, but it's a essential ingredient in choosing especially top staff personnel. When the right chemistry exists there is a comfort that develops in the delegation of authority which achieves a more efficient organization.

4. TEAM WORK

Team work is the ability of the CEO and key subordinates to work together in good faith, finding ways to support each other, not focusing on who gets the credit but whether the job gets done and the goals are achieved. The ability to create an effective working team is the essence of management. "Smooth working and effective" doesn't mean the absence of varying views. I believe that the freedom and ability to tell the Emperor that he is naked is essential to the decision making process. Staff should feel

obliged to disagree, argue its point, challenge, fight like tigers. But when the decision on a course of action is finally made the staff is committed to carry it out. The objective is clear. Take the hill!

5. STABILITY

Stability of management, consultants and other major sectors bearing on the organization is essential to achieving high performance. A rapid turnover of chief executives or key staff members has a very unsettling effect on an organization and keeps it in a state of constant turmoil. It requires about 18 months for a new executive to get to know an organization and to make his influence felt.

MARTA in Atlanta in 32 years of existence has had four general managers and one general engineering consultant. METRO in Houston now in its 20th year, has likewise had four general managers. MTA/NYCT in New York has had four presidents in 17 years, a little less stable, but certainly above the average. Stability in an organization allows people to feel relatively secure and to perform their best. It also allows them to render critical judgements without the fear of removal. Too long a tenure can be harmful. An organization "can go to seed" if it doesn't have a flow of new ideas in an atmosphere of challenge. In my opinion the desirable tenure of a chief executive should be between 5-10 years. Less than five, particularly as an average, means that the organization has to frequently adjust to a new presence in the executive office. Longer than ten runs the risk of obsolescence of ideas.

857 Kii Street
Honolulu, HI 96825
December 30, 1998

Mr. John E. Hirten, Chair
New MUNI Task Force
San Francisco Municipal Railway
949 Presidio Avenue
San Francisco, CA 94115

Dear Mr. Hirten:

You asked that I comment on my observations regarding MUNI's problems as related to its governance structure and institutional arrangements compared to Honolulu. I do so with reluctance since I have had only a snapshot of the system and have not had the opportunity to do anything but scratch the surface. It is obvious that MUNI's equipment is older than most fleets in comparable cities, that some maintenance facilities appear woefully inadequate, and the MUNI's very heavy ridership and San Francisco's terrain place a greater burden on transit equipment than is typical. These factors make it more difficult to operate effective transit services but in no way excuse poor service performance. Such factors may well increase the cost of maintenance, as more intensive programs may be required.

Secondly, I have no doubt that service delivery to the public will improve as a result of the obvious priority that is now being given to MUNI by the City and County of San Francisco. As new equipment is received and new support personnel come on board, riders will perceive a demonstrative improvement in the short term. I understand that the problem of excessive service cancellation, for example, has largely been resolved. There is a real danger that the perceived improvements may lead management to declare victory and not address all the underlying causes that have led MUNI to its present state. There is also a danger that current planned improvements will be implemented at greater cost than would be required if some of the underlying problems were addressed. For example, service cancellations may be reduced by simply hiring more personnel and not through improvements in employee attendance. San Francisco needs a high performance transit operation that places priority on both excellent service delivery and cost-effectiveness.

Around the country most big-city transit systems are operated by autonomous agencies that have a specific transit focus and stable revenue sources. Table 1, attached, provides a survey of transit system governance for the top 40 transit organizations around the country. Eighty percent of large transit systems are organized as independent special districts with a transit governing board. The board composition of special districts is generally made up of publicly-appointed private individuals or local elected officials serving in an ex-officio role. Only 8 systems out of the largest 40 trans

systems (including San Francisco and Honolulu) are operated by local (municipal or county) government. Three of the eight systems operated by local government have separated operations from policy making through contracting with private nonprofit or private for-profit operating entities. Of the remaining five transit systems operated by local government, Seattle is a special case. It has only recently been made a part of county government (having developed as Seattle METRO – a special district) and has dedicated revenue sources which are sufficient to fund an expanding system without local appropriation of any general fund revenue. King County METRO retains a good degree of autonomy within County government. The remaining four systems that are directly operated by local government include San Francisco, Miami-Dade County, Detroit, and Broward County Florida. Direct municipal or county operation of public transit systems is not common in large urbanized areas.

Most independent transit districts have been formed so that transit could be operated as a regional service where routes did not end at municipal or county boundaries. However, there are other reasons that the transit district has become the predominant model for operating transit in large areas. Transit is a dynamic, complicated, ever changing business. It is capital and labor intensive and services are provided, in large measure, as a result of consumer demand and not due to purely demographic measures. It requires a large investment in a fixed plant and long-term planning and strategies. Operations are not easily changed in the short run. Operationally, it is imperative that transit be run as an enterprise first and as a government agency second. Some of the largest transit systems in the country serve only one political jurisdiction yet are formed as independent agencies. There are good reasons that transit has evolved in this manner.

Municipalities or counties tend to have broad responsibilities that include law enforcement, water quality, economic development, fire protection, parks, welfare, etc. City or county councils cannot have the same transit focus that is typical of truly independent districts. Moreover, city councils may perceive transit as a "pork barrel" service. District representatives may demand service on the basis of equity among districts rather than need or demand. Moreover, municipalities and counties tend to have a number of specialized departments that provide important services to municipal transit operators such as personnel, finance, procurement, risk management, and legal defense. A high performance transit organization needs to be able to control these functions if it hopes to develop excellence in service delivery. If these services are under the direction of another department head, then only the mayor or county executive will truly be able to set priorities. General government departments will have their own unique goals and objectives that may not serve transit well. They also provide a built-in excuse for a poor performing transit system.

The Honolulu situation is very analogous to the San Francisco situation. The City and County of Honolulu is an amalgamated city and county local government and all transit service is operated within a single political jurisdiction by the county government. Transit use is heavy and some major routes traverse mountain ranges on a daily basis. Similar to San Francisco, the Honolulu City Council appropriates transit's annual budget largely from general revenue on a year-to-year basis. Moreover, TheBus is almost totally dependent upon discretionary budget appropriations for public funding. In fact, Honolulu's reliance upon general fund revenue for transit is higher than any other major urban areas. As in San Francisco, the City Council approves the transit fare structure. Currently, Honolulu's fare structure is significantly lower than the MUNI that is itself low by the standards of comparable cities.

What makes Honolulu different than San Francisco is that policy making has been separated from operations and service delivery. The general manager of the private nonprofit operating entity is responsible for all facets of service delivery including scheduling and marketing, human resources, labor relations, most procurement of materials and supplies, and risk management. Transit workers are not provided civil service protection. If things go wrong, it's clear who is responsible.

The Honolulu structure delegates transit policy including service planning, neighborhood and political relations, intergovernmental relations, service delivery evaluation, major equipment purchasing, and audits to the City's Department of Transportation Services. A dedicated public transit staff, under the Director of the Department of Transportation Services, is responsible for transit planning and acquisition of appropriate facilities and equipment. This basic division of responsibilities has been effective for Honolulu.

Over the years, Honolulu has developed several mechanisms to evaluate the quality and efficiency of services provided by the private nonprofit firm. The City's Director of Transportation Services and the private nonprofit entity board of directors, both evaluate management on the operation of the system, including service delivery (on-time performance, maintenance, reliability, etc.), labor issues (including collective bargaining, driver attendance, overtime, and driver complaints), budgetary performance and cost-effectiveness (inventory, staffing levels, etc.). There are annual goals and objectives developed that provide a statistical yardstick for evaluation. Hence, two separate bodies regularly evaluate management on very focused service delivery matters.

The private board of directors has an admittedly, limited role in the overall governance of the transit system. Given its limited role and similar to the situation in San Diego, the nonprofit board generally meets no more often than quarterly. The

board's main role is to evaluate, hire, and fire the CEO and to approve periodic goals and expectations. On this point, the board ensures that goals adopted require a reasonable stretch by management to obtain. Goal development is serious and is openly debated at the Board table. As most members of the private board are executives from local businesses, they have developed a keen awareness and concern over matters of efficiency and costs.

In Honolulu, we have had relative stability of top management. The City's practice of establishing a fairly long contract term (five years for the past two contracts) provides stability in management yet the City retains the right to make changes if things go wrong. Over the past twenty years, TheBus has had only three general managers. Other cities with the "Honolulu" model of organization (such as Milwaukee or Phoenix) also have considerable stability of top management within the transit operations entity. With a fairly long-term contract, management can focus on long-term strategies such as labor and employee relations, staff development, fleet and inventory standardization, and transit information systems.

The thorny problem of private, nonprofit entity accountability has been dealt with in the contractual and legal relationship between the City and the nonprofit contractor. The City must approve (but does not appoint) successor board members and has the right to remove any or all board members if the Director of the Department of Transportation Services determines that such removal is "in the best interests of the City." One might speculate that such removal might be necessary for only the most compelling reasons such as theft or malfeasance of office. The City also has the complete and unfettered right to perform post transaction audits on any matter.

If the City feels that incumbent management has become stale and that new individuals and new ideas would be desirable, they can accomplish this through a competitive bidding process at the end of a five-year contract term. As TheBus is deemed to be an instrumentality of the City, the Federal Transit Administration has ruled that competitive bidding is allowed but is not required. For all practical purposes, competitive bidding could lead to replacement of the top two executive personnel or the top seven senior management personnel depending on the City's preference. For a large entity, it is not practical to replace all operating employees. New management could, of course, replace any and all personnel in the ensuing months and years. The City also has the ability to contract out specific routes or services to the private sector or to effectuate the formation of other nonprofits. This is very similar to the situation in San Diego under the MTDB. Hence, the nonprofit entity has an incentive to perform or to risk replacement. In the absence of actual profits, there is no incentive to cut the quality of service in order to maximize private profits. On the other hand, the absence of the profit motive increases the need for the private board and the City regulator to evaluate

cost-effectiveness in operations without dictating budgetary constraints that lead to poor service quality.

As in San Francisco, direct Honolulu City employees employed by the Department of Transportation Services are covered by a civil-service system. Transit personnel employed by the private nonprofit entity are not provided this protection. However, unionized employees are provided substantial protection through union contracts and through the application of various state and federal employment laws. This includes merit selection and promotion of employees, EEO and employee discrimination issues, and a system of discipline and termination for just cause. Labor relations at transit agencies are always major issues and the general manager needs to have control of the process. Often, in municipal government, personnel actions are outside of the control of the agency head.

The operating contract between the City and the nonprofit provide that the nonprofit shall purchase materials, supplies, and services on behalf of the City. Further, the agreement provides that the nonprofit entity shall comply with all federal, state and city procurement laws and regulations. The City is directly responsible for "all major equipment purchases including buses and other transit equipment."

In Honolulu, the operating contract with the City provides that the nonprofit have two named executives (namely, the general manger and senior vice president). Executive management serves at the pleasure of the private board and, as named individuals, cannot be changed without the consent of the City. Other senior managers (there are currently five department heads) are employed "at will" and can be removed by executive management. Approximately another 100 employees out of about 1,600 are considered management and are exempt from unionization. The General Manager reserves the right to approve all appointments of nonunion staff although it is his policy to allow department heads the latitude to hire their own staff. It is also the policy of the Company that subordinate management staff can be terminated for cause following a review by other senior staff. While it is rare for the nonprofit to fire nonunion managers it does and can occur. This arrangement lends itself to a team commitment of top managers.

As a private, nonprofit operator, we jealously guard our independence particularly when it comes to labor relations. Labor knows that management's tenure is long-term Occasionally, there have been attempts by labor to run around management by enlisting the assistance of elected officials or city department heads on specific issues or interests. However, these isolated attempts have generally been rebuffed in a cordial and effective manner. Likewise, local officials occasionally refer individuals to TheBus with a recommendation for employment. These recommendations are accepted and

individuals are generally considered for open positions. However, as a private employer, we always retain the right to say no and we require that all new hires be fully qualified for any open position. Our firm policy on employment limits the number of such referrals to a very small number (usually for entry level driving jobs) and we have gained some respect for our principles. In a few cases, we have angered some local officials with authority. However by and large, the separation of policy and operations serves the interests of City officials, transit management, and organized labor.

While we are a private, nonprofit organization, our own actions are often taken with sensitivity and consideration of the politics and circumstances of the City. Such sensitivity is both good business and common sense. Our collective bargaining contracts, for example, are often different than the formula used for local government workers but are never out of line with the trend of local settlements. For the past twenty years, transit settlements have generally been more favorable for management than other public employee contract settlements. Often, we are able to bargain for items that would be prohibited for public employees under state law. Such items as health care, vacations, workers' compensation, or sick leave are legitimate items of negotiations. In recent years we have won concessions in these areas. While there has not been an employee work stoppage in Honolulu in almost thirty years, labor knows that management is independent and that there is a point beyond which management will simply say no.

The "Honolulu" model is not the usual model for organizing transit services. It insulates day-to-day operations from municipal government but not from annual budgetary considerations or from the whims of local government. Because of the separation of duties, it may complicate some aspects of transit operations such as operational planning, federal grant coordination, and budget planning. The lack of a stable funding source makes the operation subject to substantial year-to-year variations in funding. Independent transit agencies are also subject to such fluctuations in revenue. The difference is that the independent agencies usually foresee the funding issue and takes internal steps to account for variations in funds. Where the operation is separated from policy makers (as in Honolulu) there may be a tendency toward reactionary planning. Moreover, the system may be subject to city-wide policies and dictates that may not be appropriate to the transit system as an enterprise.

There are as many models for operating and governing public transit as there are systems. However, there are some common themes. In a successful system, the General Manager has clear authority and responsibility and is held accountable for system performance. Successful operations usually have relative independence from general government and are usually governed by an independent board. This leads to management and board stability and the development of a team approach. There is a

need for a corporate culture that nurtures staff competence and open communications at all levels. The Honolulu model relies upon strong transit policy and planning guidance from City transit officials. It is City officials who control the big levers of budgets, service development, and fleet and infrastructure improvement. A well thought-out strategic plan supported by a multi-year implementation plan is critical to any successful operation.

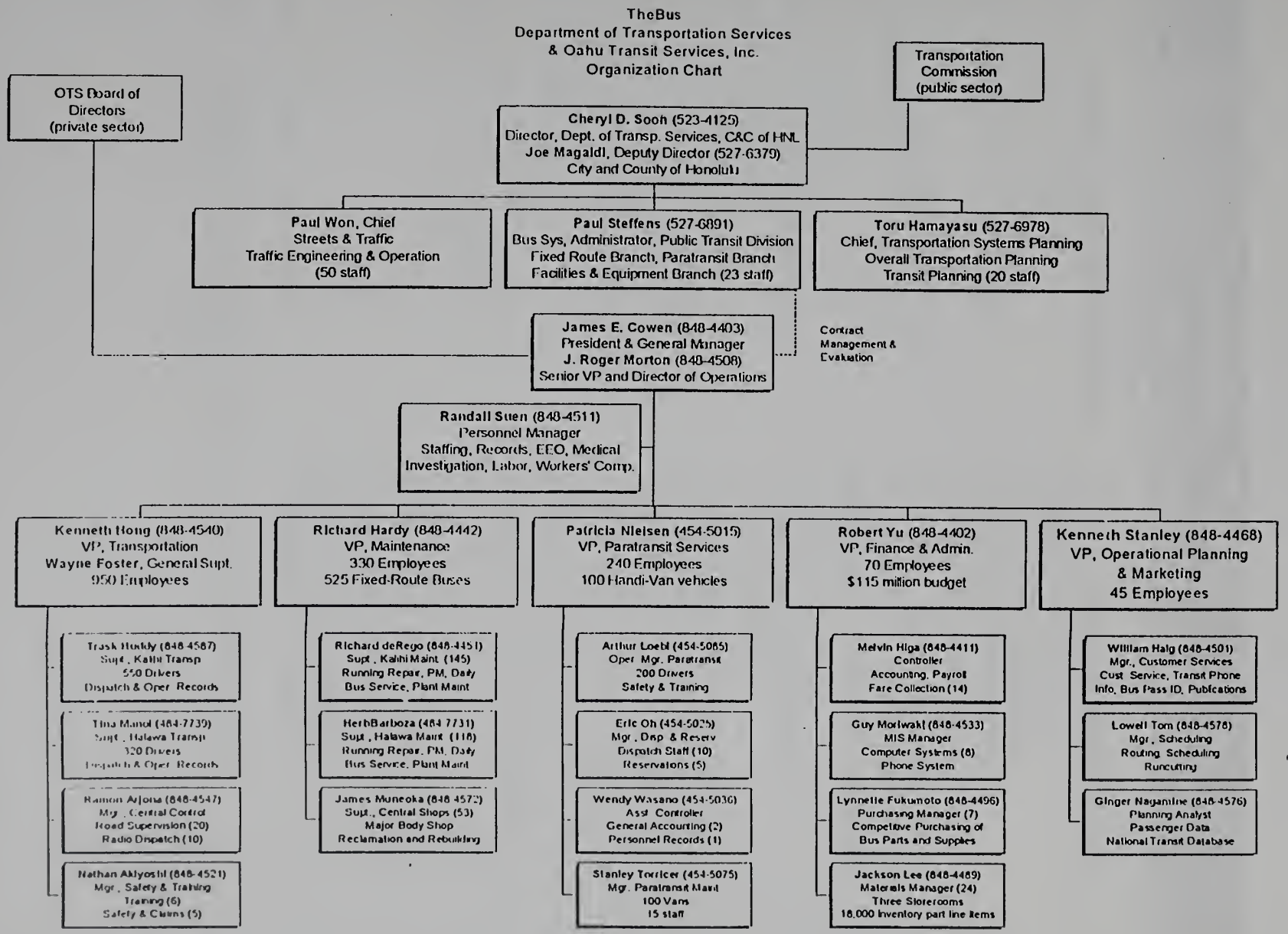
At the end of the day, it's good people that make a good organization. A well-governed transit system may have poor management while a poorly governed system may have superior management. A well-respected general manager that has the confidence of transit employees, the board, elected officials and the community-at-large will be able to accomplish more than an individual that does not garner the same respect. It is not a matter of superstar performance. An effective general manager will be able to lead and inspire other employees. Employee moral and teamwork are absolutely imperative for a high performance transit system. In the long run, a well-governed system is more likely to attract and retain good management. Technical and managerial improvements will flow from good governance.

I hope that this letter provides a good description of how Honolulu organizes its transit system. Obviously, what works here will not work everywhere. Good luck in your endeavor to find a structure that will provide the residents and workers in San Francisco with the good quality transit services they deserve.

Sincerely,

J. ROGER MORTON

FIGURE 1


TheBus
Department of Transportation Services
& Oahu Transit Services, Inc.
Organization Chart
OTS Board of Directors (private sector)
Transportation Commission (public sector)
Cheryl D. Soon (523-4125)
Director, Dept. of Transp. Services, C&C of HNL
Joe Magaldi, Deputy Director (527-6379)
City and County of Honolulu
Paul Won, Chief
Streets & Traffic
Traffic Engineering & Operation
(50 staff)
Paul Steffens (527-6891)
Bus Sys. Administrator, Public Transit Division
Fixed Route Branch, Paratransit Branch
Facilities & Equipment Branch (23 staff)
Toru Hamayasu (527-6978)
Chief, Transportation Systems Planning
Overall Transportation Planning
Transit Planning (20 staff)
James E. Cowen (848-4403)
President & General Manager
J. Roger Morton (848-4508)
Senior VP and Director of Operations
Contract Management & Evaluation
Randall Suen (848-4511)
Personnel Manager
Staffing, Records, EEO, Medical
Investigation, Labor, Workers' Comp.
Kenneth Hong (848-4540)
VP, Transportation
Wayne Foster, General Supt.
950 Employees
Richard Hardy (848-4442)
VP, Maintenance
330 Employees
525 Fixed-Route Buses
Patricia Nielsen (454-5015)
VP, Paratransit Services
240 Employees
100 Handi-Van vehicles
Robert Yu (848-4402)
VP, Finance & Admin.
70 Employees
$115 million budget
Kenneth Stanley (848-4468)
VP, Operational Planning
& Marketing
45 Employees
Trask Ruddy (848-4587)
Supt., Kalihi Transp
550 Drivers
Dispatch & Oper. Records
Tina Manoi (484-7739)
Supt., Halawa Transp
320 Drivers
Dispatch & Oper. Records
Ramon Arjona (848-4547)
Mgr., Central Control
Road Supervision (20)
Radio Dispatch (10)
Nathan Akiyoshi (848-4521)
Mgr., Safety & Training
Training (6)
Safety & Claims (5)
Richard deRego (848-4451)
Supt., Kalihi Maint. (145)
Running Repair, PM, Daily
Bus Service, Plant Maint
HerbBarboza (484-7731)
Supt., Halawa Maint. (118)
Running Repair, PM, Daily
Bus Service, Plant Maint
James Muneoka (848-4572)
Supt., Central Shops (53)
Major Body Shop
Reclamation and Rebuilding
Arthur Loebl (454-5065)
Oper. Mgr., Paratransit
200 Drivers
Safety & Training
Eric Oh (454-5025)
Mgr., Disp. & Reserv.
Dispatch Staff (10)
Reservations (5)
Wendy Wasano (454-5036)
Asst. Controller
General Accounting (2)
Personnel Records (1)
Stanley Torricer (454-5075)
Mgr., Paratransit Maint.
100 Vans
15 staff
Melvin Higa (848-4411)
Controller
Accounting, Payroll
Fare Collection (14)
Guy Moriwaki (848-4533)
MIS Manager
Computer Systems (8)
Phone System
Lynnette Fukumoto (848-4496)
Purchasing Manager (7)
Competitive Purchasing of
Bus Parts and Supplies
Jackson Lee (848-4469)
Materials Manager (24)
Three Storerooms
18,000 inventory part line items
William Haig (848-4501)
Mgr., Customer Services
Cust. Service, Transit Phone
Info, Bus Pass ID, Publications
Lowell Tom (848-4578)
Mgr., Scheduling
Routing, Scheduling
Runcutting
Ginger Naganiine (848-4576)
Planning Analyst
Passenger Data
National Transit Database

Honolulu's TheBus Delineated Contract Responsibilities [6.]

City and County of Honolulu Dept of Transportation Services	Oahu Transit Service, Inc.
• Legal Owner of Property	• Operational Planning
• Establish Transit Policy	• Schedule Preparation
• Develop Service Improvement Plans	• Day-to-Day Operations
• Overall Transportation Planning	• Paratransit Operations
• Transit Development Planning	• Maintenance of Vehicles
• Establish Fares	• Maintenance of Facilities
• Plan Route Locations	• Marketing and Public Relations
• Establish Standards of Service	• Customer Service
• Contract Evaluation	• Finance and Accounting
• Annual Performance Audit	• Fare Collection
• Contract for Privatized Service	• Management Information Sys
• Provide Annual Budget	• Recommend Annual Budget
• Plan Capital Improvements	• Federal Grant Compliance
• Grants Processing	• Training and Recruitment
• Grants Compliance	• Labor Relations/Arbitration's
• Purchase Major Equipment	• Collective Bargaining
• Intergovernmental Relations	• Safety and Risk Management
• Neighborhood Relations	• Claims Adjusting
	• Legal Defense
	• Accounting & Payroll
	• Purchase of Supplies
	• Materials Management
	• Preparation of Reports

[6.] Source: Analysis of City Charter, relevant ordinances and current operations and Management contract

MTDB
Metropolitan Transit Development Board

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466
FAX (619) 234-3407

MEMORANDUM

DATE: December 22, 1998 ADM 121 (PC 100)

TO: John Hirten

FROM: Thomas F. Larwin

SUBJECT: NEW MUNI TASK FORCE, AND SOME OBSERVATIONS

In your memo dated December 11, 1998, you requested a memo listing my observations of MUNI's problems as related to structural/institutional deficiencies. You also requested comments on the key principles that were listed in your memo.

Observations

My overriding conclusion based upon my review of the information you sent and our two days in San Francisco lead me to conclude that their primary need is institutional, and that the "new MUNI" should be a singular body responsible for **all** public transportation development and services within the city and county of San Francisco. All major functions related to effectively carrying out the mission of public transit for the city and county should be contained within this one entity. Such essential functions would include: legal, procurement, personnel/human resources, engineering, planning, and operations. Support in the form of marketing, governmental relations, and public information should also be within this entity. While some of these functions may be contracted out, either partially or wholly, they should be done so within the authority of the single entity and its general manager.

With regard to the authorities of the general manager, they should be prescribed in clear fashion so that the individual knows the degree of discretion with regard to contracting, change orders, marketing actions, and other limits that could be described within policies and within the annual budget authority. The limits should be broad enough to permit the general manager the ability to have some creativity and be effective in directly influencing the day-to-day management of the operation.

The board structure can take a number of forms, but the key feature in its definition would be to focus on policy and emulate a corporate board of directors. Thus, it, too, should have its authorities spelled out and allow it to focus on policy direction.

Principles

In my opinion, a restructured transit governmental entity should be guided by these key principles:

1. **Independent Government Entity** is key—and it should *not* be "relative independence." Start out with a clear and strong role as a principle. If you go in "watered down," then there is the risk the independence could get even further sacrificed. This principle ties in with my overriding conclusion. My fear would be that if a fully separate transit entity isn't formed, then many inefficiencies will remain due to the nature of being contained with a local government structure.

2. **Clear Definition of the Board's Authorities**—in this regard, set up a board that would function as a corporate board of directors. They should function as policy makers, and provide oversight. Management should be responsible for the day-to-day operations of the entity, and then be held accountable for overall performance.

3. **Clear Definition of the General Manager's Authorities**—the authorities, limits, and bounds, need to be clearly delineated in policies. They need to be broad enough to allow sufficient managerial control and discretion. The authorities also need to be clearly understood by both parties, the board and the general manager.

4. **Board Stability**—over time, consistent transit policies will be important to the community, to the employees, and to the customers riding the system. So, the result of stability is consistency. Consistency would also bring with it *respect*! Board members should have terms that would enhance stability. Rotation on/off should be allowed in a way that doesn't lead to major shifts at any one time.

5. **General Manager Longevity**—this is a tough one to effect even though the principle makes sense. The hiring of a general manager is like any other partnership and works or doesn't work based upon numerous hard to define variables. However, the important thing here is to set up a position with the high probability of success rather than failure. Hire a "pro" with industry experience, and negotiate a contract. Based upon my feelings as a manager and my experiences, longevity can be enhanced if principles 1 through 4 are achieved.

6. **Establish A *Quality* Mind Set**—in everything that is undertaken with the new entity. So, hiring of competent and skilled employees is a foundation for quality. There can be no room for political appointees; such a process "poisons" the entire organization and makes quality impossible to achieve as the entity's "culture." Quality also embodies communication, up and down the organization. Employees want to know why something was decided that way, and want to be heard. A quality program allows for open communications and breeds teamwork.

7. As an Early Action Plan, **Develop A Strategic Plan, or a Business Plan**—I'm not sure what presently exists in this area for MUNI, but with a new board and a new general manager a strategic planning process would be a good way to bring these new "partners" together and to forge a common direction. The risk is that it generates controversy. However, set up according to the above principles would demonstrate a new MUNI to the community. Such a plan, in and of itself, would also help reinforce principles 4 and 5.

Basically, MUNI has a tremendous base for quality transit operation and development:

- it's a compact city where residents depend upon transit, and want to use it as a convenient way to get around town.
- it has a large transit infrastructure base around which travel patterns and habits are shaped.
- it has a travel market that covers the traditional community trips, but also a large visitor/tourist market.
- it has a dense and vibrant central area.
- it has some good programs under development.

So, there is much to build upon, and San Francisco remains a great transit city. I am sure, too, there are many good individuals working for MUNI who are just waiting to work in a new quality culture, and are hoping that this time there will be a new MUNI!

M-NWMUNITSKFC.TLARWI

MTDB
Metropolitan Transit Development Board

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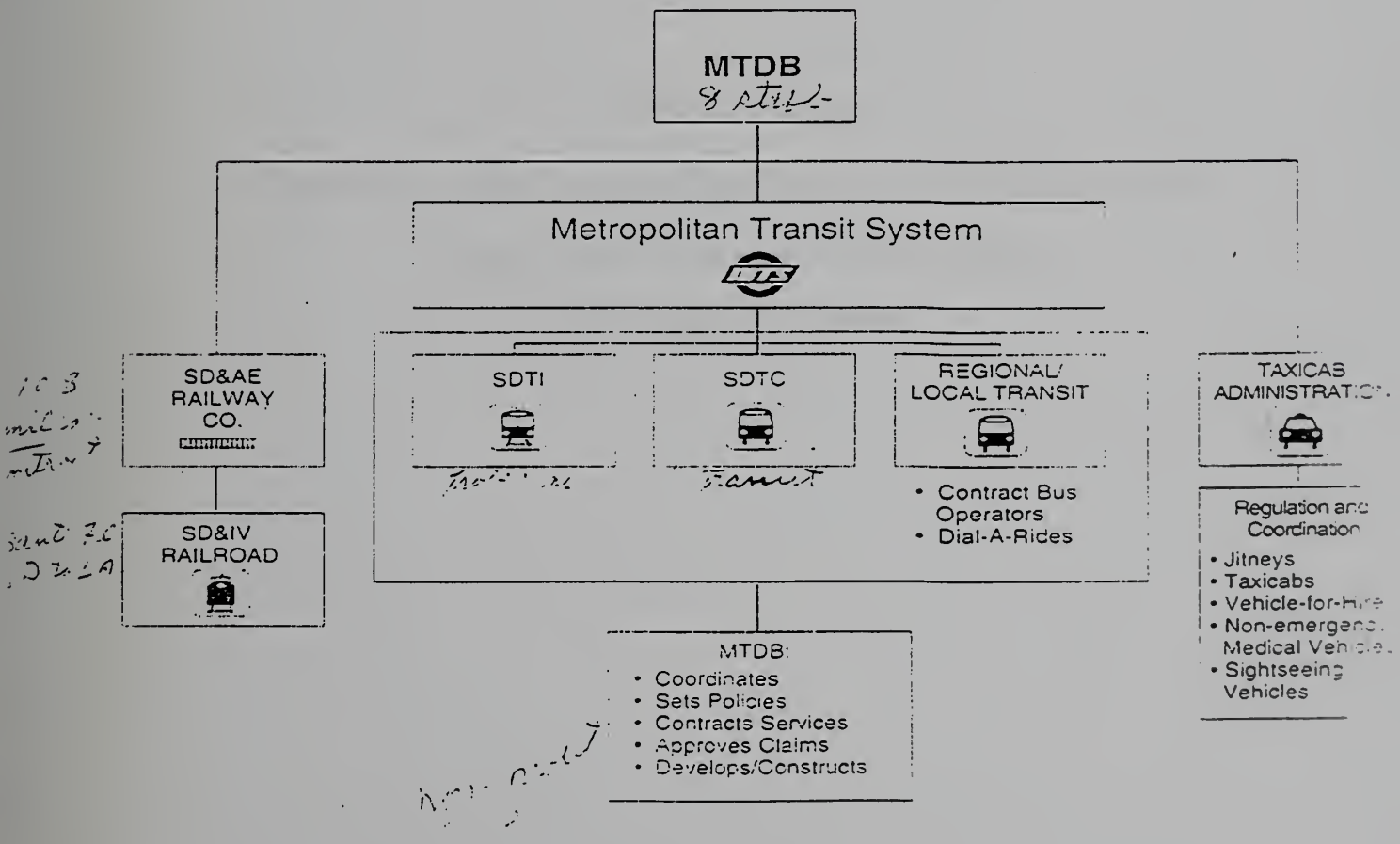
NEW MUNI TASK FORCE

BACKGROUND MATERIALS RELATED TO THE SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD

Prepared By

Thomas F. Larwin
General Manager

December 7, 1998



Member Agencies:
City of San Diego, City of Chula Vista, City of El Cajon, City of La Mesa, City of Poway
City of Santee, County of San Diego, City of Coronado
Metropolitan Transit Development Board | San Diego Transit Corporation | San Diego Trolley, Inc.

New Muni Task Force

Summary of Panel Presentation

Paul A. Toliver

Director, King County Department of Transportation

King County (Seattle) Washington

December 8, 1998

A Brief History

Seattle Metro was created in 1958 by State Legislation for the specific purpose of cleaning up Lake Washington, one of the most polluted lakes in the State of Washington. In 1972 the citizens of King County voted to give Metro authority to operate a county wide transit system. With that authority, the citizens voted a sales tax to pay for the capital and operating cost of running the system. The original system was made up of a number of separate transit systems, the largest being Seattle Transit, which operated in the City of Seattle.

The new county wide system became known as Seattle Metro Transit and operated until December 31, 1993 when it was merged into the King County government.

Governance and Similarities

The Seattle Metro's federated governance structure was comprised of a 44 member policy council by the time it merged with King County. The council divided itself into two committees that provided oversight for the county wide transit system and the county wide Waste Water Treatment system.

The organization structure of the former Seattle Metro organization was extremely similar to the old San Francisco Public Utility Commission

organization. Both organization had a strong CEO with the necessary authority to accomplish its mission. Both had strong operating departments. Seattle Metro had transit and waste water treatment. The San Francisco P.U.C. had Muni (transit), water and Hetch Hetchy (electric). Both also had support services under its CEO in order to insure that operating departments were successful.

Critical Differences

With all of these similarities, there were some critical differences. These differences, in the authors opinion were those which caused Seattle Metro to twice be named best large transit system in North America (1984 & 1992) and the other to have reached a point of not so quiet desperation.

⇒ The first difference is that the governing board (Metro Council) to which the CEO reported had the final say concerning all matters of the organization including goals, budget, fares, service plans and legislative issues.

⇒ The second difference is that the Metro Council did indeed delegate the authority to its executive director to operate especially the authority to hire and fire employees (there were strong unions but no career or civil service), enter into most contracts if funds were in the budget and be the final spokesperson for the organization.

⇒ The third difference was that Seattle Metro Transit had two permanent and dedicated sources of revenue. They were a sales tax and a motor vehicle excise tax (MVET).

One final point having to do with Seattle Metro's success was its culture of a strong commitment to customer service and excellent. This strong commitment came from its founder and first legal counsel, James R. Ellis. It was he who coined the slogan, "Better Than Promised".

A Change in Culture

In the late 80's and early 90's, Metro was itself going through some difficult times with its customers and its employees. It was determined that the Metro organizational culture needed to change as its environment and its customers changed (customers included riders, employees, taxpayers, policy makers and even media). Metro management's relationship with it rank and file employees was deteriorating. Given the current and anticipated demands on Metro, a better relationship between employees and the organization's leadership was necessary if Metro was to continue to be successful.

A commitment was made by the leadership to change the culture. From 1992 through 1994, over 4000 employees participated in a "cultural change process". A critical mass of employees accepted and embraced this effort and helped infuse the rest of the workforce to where even today, Seattle Metro is still viewed as one of the best transit operations in the country.

In conclusion, the factors of relative independence, authority, responsibility, accountability and funding are critical to the success of San Francisco Muni. However, just as important is insuring that this organization has a culture that is service and customer oriented and believes that doing "better than promised" is the only way to go.

King County Department of Transportation

Paul Toliver
Director

Carin Weiss
Deputy Director

Transit Division
Rick Walsh
General Manager

- **Transit Operations** — Gloria Overgaard, Manager
- **Vehicle Maintenance** — Jim Boon, Manager
- **Power & Facilities** — Barry Uchida, Manager
- **Service Development** — Jim Jacobson, Manager
- **Sales & Customer Service** — Darvin Campbell, Mgr.
- **Mgmt. Information & Transit Technology** — Nancy Hamburg, Mgr.
- [illegible] — [illegible], Manager

Paratransit/ Rideshare / Park Woodworth

Road Service Division
Harold Taniguchi
Acting Manager

- **Administration** — Linda Dougherty, Acting Manager
- **Traffic Engineering** — Lloyd Noal, Manager
- **Road Maintenance** — Rod Matsuno, Manager
- **Engineering Services**
  - **Construction Services** — Jerry Dahl, Manager
  - **Project Support Services** — Lydia Reynolds, Mgr.
  - **Design Project Management Group**

Transportation Planning Division
Roy Francis, Acting Manager

- **System Planning** — Bill Hoffman, Manager
- **Capital Planning** — Linda Smith, Manager
- **Grants** — Roy Francis, Administrator

Fleet Administration Division
Windell Mitchell, Manager

- **Budget & Finance** — Jose DeLeon, Manager
- **Construction Equip. Acquisition & Maint.** — Mel Andriesen, Mgr.
- **Equip. & Construction Materials Supply** — Joyce Mitchell, Mgr.
- **Motor Pool Vehicle Acquisition & Maint.** — James McDonald, Mgr.

Transportation Administration Division
Carin Weiss, Deputy Director

- **Community Relations & Communications** — Betty Gulledge, Supvr.
- **Budget & Financial Management** — Chris Richards, Supvr.
- **Administrative Services**

APPENDIX C

REPORT OF THE SERVICE PERFORMANCE COMMITTEE

"Realistic Goals That Lead to Reliable Service"

The Service Performance Committee adopted and was guided by the following Mission Statement:

> "The Committee will develop and recommend realistic and workable goals for the Municipal Railway that will lead to reliable service that meets passenger needs and fulfills the City's Transit First Policy. The Committee will recommend realistic timetables for goal achievement. The Committee will also develop a recommended process for MUNI periodically to review and revise its goals and objectives so that it meets the transit needs of the entire population of the City."

The Committee was also guided by the concept of "Realistic Goals That Lead To Reliable Service." Given MUNI's current deteriorated condition, and the vast problems affecting virtually the entire operation, the Committee recognized that a "quick fix" approach would be futile and wasteful. Instead, the Committee has adhered to the philosophy and approach that the systematic development of necessary programs, and the orderly achievement of those programs, is the appropriate way to address the serious conditions encountered. It is the Committee's view that this realistic approach is the best possible way to serve the public's need for a well-run transit operation.

The Committee developed ten major goals for MUNI, which are set forth in this Appendix. After establishing the ten goals, the Committee developed specific programs required for the achievement of each of these goals. A budget and timetable for each proposed program is also set forth in this Appendix.

The ten goals are not intended to be inclusive of all aspects of MUNI's problems and operations. Rather, the ten goals have been selected as priorities for MUNI to address over the next three to four years. The Committee believes that if its proposed programs are properly funded and instituted, the public will begin to see demonstrable improvement in the system during the year 2000, and that the system will begin to approach its full level of performance by the end of 2002.

The Report of the Task Force includes specific workable proposals for the periodic review and revision of goals and objectives by the new MUNI governing Board.

Finally, while it was not the province of this Committee, in developing the goals and programs for MUNI, the Committee concluded that MUNI as currently governed and organized is woefully inadequate to successfully institute the entire program proposed by the Committee. The MUNI organization is fatally flawed with regard to its ability to control many of the necessary functions of a transit agency. For example, MUNI does not control its own

procurement, hiring, labor relations, security or legal functions, among many others. As a result, MUNI lacks the necessary expertise and ability effectively to deal with labor relations, hiring, acquiring and maintaining equipment, protecting its own passengers and employees and managing all aspects of its operation in a timely and efficient fashion. In addition, MUNI lacks the type of governing board and governing structure necessary to bring professional focus and guidance to the needs of the organization. Without bringing MUNI's governance and organization into line with well-run modern transit agencies, we will believe that it is unlikely that any comprehensive rehabilitation of MUNI will be successful.

Committee members and participants include Chair Arthur Shartsis, Vice-Chair Amy Quirk, Supervisor Michael Yaki, Harry Stern, Ernestine Weiss, James Bryant, Caesar Churchwell, Bruce Oka, Ray Antonio, Alice Fialkin, Joe Blue, Denise Collazo, Kevin Hughes, John Moran, Richard Swanson, John Hirten, David Stumpo, Nancy Whelan and Sharon Saslafsky.

The Committee was assisted in its work by MUNI staff members David Stumpo, Nancy Whelan and Sharon Saslafsky, as well as numerous staff members at the MUNI organization who supported their efforts. The Committee believes that it is important to note the extraordinary contribution that Dave Stumpo has made to this effort. Finally, the Committee thanks Mr. Larry Williams, the retired director of BART's Labor Relations Department, for his assistance in helping the Committee develop modern concepts of joint labor-management participation.

THE NEW MUNI'S TEN GOALS

"Realistic Goals That Lead to Reliable Service"

Goal 1: **Improve Customer Satisfaction and Communications**

Goal 2: **Enhance System Safety and Security**

Goal 3: **Restore Published Scheduled Service**

Goal 4: **100% Operator and Maintenance Worker Availability**

Goal 5: **Improve Maintenance and Availability of Rolling Stock**

Goal 6: **Maintain Accessibility**

Goal 7: **Establish Cost Control and Fare Policy**

Goal 8: **Timely Rolling Stock Acquisition**

Goal 9: **Modernize Information Management**

Goal 10: **Complete Major Infrastructure Projects**

THE NEW MUNI'S TEN GOALS

"Realistic Goals That Lead To Reliable Service"

Goal 1: Improve Customer Satisfaction and Communications

GOAL: Prepare and publish an annual bench mark survey on key measures of Customer Satisfaction with a goal of measurable improvement each year.

MEASURE: At least ten percent of MUNI riders will have an enhanced opinion of MUNI based on the second annual survey.

Program	Cost[1]	Schedule
Publicize MUNI's Ten Goals to the public and MUNI employees, and provide quarterly progress reports on goal achievement.	$15,000 Printing only (Becomes part of 1% Budget identified below)	Commence 9/1999
Develop customer friendly information bulletins to be distributed in an effective manner at least quarterly to the public and interested groups.	$25,000/Qtr (Becomes part of 1% Budget identified below)	Commence 12/1999
Develop a program that uses City Channel 54 to communicate MUNI news, accomplishments and occurrences – including route change information.	$300,000 (Becomes part of 1% Budget identified below)	Complete 12/1999
Prepare and conduct first annual benchmark survey of key measures.	$50,000	RFP to issue 1/2000
Joint labor-management committee to develop and conduct culture training for all MUNI personnel with a major emphasis on customer service.	$3.7 Mil One time cost	Commence 1/2000 Complete 12/2001
Develop an automated Passenger complaint and commendation tracking system that runs on the existing network.	$1.5 Mil One time cost	Complete 3/2000
Develop an effective Marketing and Public Information plan that uses 1% of the total operating budget of the system (the "1% Budget").	$3.5 Mil	Commence 7/2000 Full Implementation By 7/2002
Develop and implement a periodic passenger demand assessment.	$250,000 Every 3 years	Complete 12/2000
Implement Nextbus™ Systems, a system-wide electronic sign information network.	$6.5 Mil One time Cost	Complete 1/2002

[1] Cost increases identified throughout this report are on an annual basis unless noted otherwise.

THE NEW MUNI'S TEN GOALS

"Realistic Goals That Lead To Reliable Service"

Goal 2: Enhance System Safety and Security

GOAL: Achieve and maintain the number of incidents per million miles equal to or better than other well run transit properties.

MEASURE: Meet standards by 2002.

Program	Cost	Schedule
Accident and incident training for all supervisory employees.	$250,000	Commence 9/1999
Expand the accident analysis program beyond statistical compilation to enable MUNI to address conditions and circumstances that cause accidents.	$1.2 Mil	Commence 9/1999 Fully Operational by 12/2000
Develop an Integrated Safety and Loss Prevention Program with emphasis on reducing the causes of Workers Compensation claims.	$3.5 Mil	Commence 9/1999 Complete 12/2000
Hire staff support for development and preparation of emergency preparedness including procedural books, training and live drills.	$180,000	Commence 9/1999 Complete 12/2000
Conduct a study of other transit systems to evaluate and identify anti-vandalism programs for adoption at MUNI.	$150,000	Commence 7/2000 Complete 6/2001
Employ a (non-sworn) transit security force of at least 250 personnel. Deploy a sworn police division of at least 50 officers dedicated to MUNI security. To the extent these officers are from the SFPD[2], they shall be provided at cost and directed by a joint governance agreement between MUNI and SFPD.	$14 Mil	Commence 7/2000 Full Deployment by 6/2002
Develop a system-wide security policy to provide the optimal level of security presence, which includes a security program of new Closed Circuit Television in all facilities, stations and subways; protective driver barriers; card readers at all MUNI entrances and gates; and video cameras on all rolling stock, except Cable Cars.	$21 Mil One time cost $3 Mil annually	Commence 7/2000 Complete 12/2002

[2] A glossary of acronyms is attached at the end of this Appendix.

THE NEW MUNI'S TEN GOALS

"Realistic Goals That Lead To Reliable Service"

Goal 3: Restore Published Scheduled Service

GOAL: Restore published scheduled service where appropriate. Peak period service will be Headway Performance.

MEASURE:

By September 1999: 60% on-time service on lines 90, 91, 23, 36, 39, 52, 53

By December 1999: 92% on-time service on lines 90, 91
75% on-time service on lines 39, 52, 53
60% on-time service on lines N,M,J,K,L,F

By December 2000: 92% on-time service on lines 90, 91, 23, 36, 39, 53, N, 52
75% on-time service on lines 54, 56, 66, 67, 83, 89, M,J,K,L,F
First Headway Performance Goals to be established and met.

By June 2001: 92% on-time service on lines 54, 56, 66, 67, 83, 89, M,J,K,L,F

MUNI On-Time Performance for scheduled lines is defined as the industry standard of meeting a scheduled time of arrival at a fixed location no earlier than 1-minute and no later than 4 minutes. MUNI Headway Performance is defined as average time between arrivals.

Program	Cost	Schedule
Joint labor-management committee to meet monthly to gather feedback from operations personnel to prepare for annual general sign-ups and other divisional sign-ups.	*	Commence 12/1999
Joint labor management committee to study and implement a change in the sign-up process so that service disruptions are minimized.	*	Commence 12/1999 Complete 12/2000
Implement a personal services contract to have a complete system route review performed every 5-years.	$200,000 Every 5 years	Implement 7/2000
Implement a personal services contract to have a complete system origin and destination study performed.	$200,000 Every 5 years	Implement 7/2000
Implement Service Adjustments	$1 million	12/2000
Institute a true Transit First Policy by having bus only zones and lanes and reducing illegally parked vehicles.	Cost to be determined by DPT	Commence planning process 12/2000

* Minimum $350,000 budget for joint labor-management project.

THE NEW MUNI'S TEN GOALS

"Realistic Goals That Lead To Reliable Service"

Goal 4: 100% Operator and Maintenance Worker Availability

GOAL: Achieve 100% availability.

MEASURE: 98% availability by June 30, 1999
99% availability by December 31, 1999
100% availability by June 30, 2000

Program	Cost	Schedule
Representative labor committee to review - for the purpose of making proposals - no fault absenteeism systems in practice at other transit properties.	* $15,000 Travel	Commence 9/1999 Complete 6/2000
Joint labor-management committee to design and implement training programs and rule revisions, including rule books and manuals.	* $15,000 for printing. Training budget to be determined based on this process.	Commence 9/1999 Complete 6/2001
Joint labor-management committee to enable organized labor to assist in recruiting and outreach for qualified MUNI employees.	* $15,000 for printing and travel.	Commence 12/1999
Joint labor-management committee to examine and address causes of increased Workers Comp claims.	*	Commence 12/1999 Complete 12/2000
Joint labor-management committee to develop a plan that reorganizes MUNI hiring practices so that MUNI is self sufficient, and assures fair hiring practices and procedures to achieve more streamlined hiring.	* Budget to be determined by this process.	Commence 12/1999 Complete 12/2000
Establish a professional labor relations department at MUNI.	$250,000 minimum	Commence 7/2000

* Minimum $350,000 budget for joint labor-management project.

THE NEW MUNI'S TEN GOALS

"Realistic Goals That Lead To Reliable Service"

Goal 5: Improve Maintenance and Availability of Rolling Stock

GOAL: Establish availability goals and stabilize the mean distance between failures to match industry standards for each MUNI transit mode.

MEASURE: 4000 miles MDBF* by June 30, 2000 in Standard and Artic Motor Coach
900 miles MDBF by June 30, 2000 in Standard and Artic Trolley Coach
3000 miles MDBF by June 30, 2000 in Light Rail Breda Cars
2800 miles MDBF by June 30, 2000 in Cable Cars
All modes meet industry standards by June 30, 2002

*MDBF = Mean Distance Between Failures

Program	Cost	Schedule
Fund an annual budget for replacing tooling and equipment items costing over $1,000 each.	$3.6 Mil.	Commence 9/1999
Develop procedures and training on how road calls are tracked, responded to, and recorded. This includes study of transit property best practices and FTA rules.	$75,000 training and printing cost. One time cost.	Commence 9/1999 Complete 12/2000
Implement a Full Quality Assurance program: 1) Rolling Stock is checked pull-out and pull-in. 2) 120 day Body Preventive Maintenance program 3) Zero Tolerance on Graffiti and Broken Windows 4) Hire technical staff 5) Implement a Warranty Program 6) Develop an Audit process	$4.5 Mil.	Commence 9/1999 Fully Implemented by 6/2001
Implement a preventive maintenance enhancement program that produces a pre-inspection by one crew and repair work by another crew. This program includes added staffing, Preventive Maintenance training, material support and a process of "kit" development.	$1.6 Mil.	Commence 12/1999 Fully Operational By 12/2000
Improve the material control process by reorganizing the purchasing and procurement function so that MUNI is self-sufficient and has adequate financing for inventory control and adequate space for Central Warehousing.	$6.1 Mil.	Commence 7/2000 Fully Implemented by 12/2001
Implement a full Vehicle Overhaul program in Trolley, Motor Coach, Light Rail and Cable Car. In Trolley and Motor Coach, every 6 years; in Light Rail, every 5 years; Cable Car every 5 years.	$95 Mil over the lifecycle of current fleet vehicles.	Commence Program 1/2002

THE NEW MUNI'S TEN GOALS

"Realistic Goals That Lead To Reliable Service"

Goal 6: Maintain Accessibility

GOAL: Maintain MUNI's national leadership position in accessibility.

MEASURE: Meet or exceed ADA standards by 2002.

Program	Cost	Schedule
Continue to foster a strong relationship with the disabled community and consumer groups to provide input on access issues.	Existing Staff	Underway
Assure that all new vehicles have user friendly and state of the art accessibility features.	Existing Staff	Underway
Assure optimum design for accessibility to the new Third Street Light Rail line without the need for special separate systems for persons with disabilities.	Existing Staff	Complete by 9/1999
Expand specific accessibility training modules for MUNI personnel.	$80,000	Commence 9/1999
Implement a pilot program to expand transit options for ambulatory paratransit taxi users with a mixed mode, prescheduled van service.	$180,000 1-year pilot	Commence 9/1999 Complete pilot program 12/2000
Implement a new paratransit electronic fare payment mechanism that is required for all San Francisco licensed taxis.	$2.7 Mil	Commence pilot by 12/1999 Complete project by 12/2001
Improve community outreach efforts in the Paratransit system by establishing or expanding partnerships with local agencies and community based organizations, providing training in paratransit eligibility and improving access to information and services for linguistic minorities.	Negotiated with broker at the time of contract renewal	Commence Outreach 1/2000 Commence Training 6/2000
Construct further accessible key stops as part of the track replacement project.	TBD at the time of design	Commence 2000 Complete 2005

THE NEW MUNI'S TEN GOALS

"Realistic Goals That Lead To Reliable Service"

Goal 7: Establish Cost Control and Fare Policy

GOAL: Fares should be regularly adjusted to provide at least 36% of operating costs that will not exceed certain measures at other well run transit properties

MEASURE: Fare policy to be adopted by July 2000.

Program	Cost	Schedule
Finance will develop reliable financial accounting and reporting systems and provide identified cost reporting data in timely or as needed manner.	$100,000	Commence 9/1999
Finance will develop a fare policy that is consistent with Cost of Living Adjustments and other identified costs of operating. Appropriate increases shall occur on a regular basis in order to avoid dramatic price changes.	Existing Staff	Commence 9/1999 Complete 7/2000
Finance will conduct a comprehensive study to determine what additional cost accounting and reporting structure is required to support the requirements of the organization.	$100,000 one time cost. Implementation may cost up to $1,000,000	Commence 9/1999 Complete 12/2000
Finance will develop measures to establish guidelines for MUNI operating expenditures based upon comparable services provided by well-run transit properties.	Existing Staff	Commence 1/2000

THE NEW MUNI'S TEN GOALS

"Realistic Goals That Lead To Reliable Service"

Goal 8: Timely Rolling Stock Acquisition

GOAL: Acquire and retire rolling stock on a fixed schedule so that no equipment remains in service beyond its scheduled life.

MEASURE: Replace every Motor Coach when it reaches 12-years old.
Replace every Trolley Coach when it reaches 18-years old.
Replace every Light Rail Vehicle when it reaches 25-years old.
Replace every Cable Car when it reaches 85-years old.
Replace every Non-Revenue Vehicle within 4 years or 100,000 miles

Program	Cost	Schedule
Institute a joint labor-management technical group by mode to begin the review of existing specifications with development and technological enhancement in mind for a new vehicle procurement three years before the vehicle is due to be replaced.	Included in General Operating Budget	Commence 9/1999
Evaluate and test alternative fuel vehicles for possible revenue service.	$3.5 Mil Eligible for BAAQMD funds	RFP by 9/1999 Complete test by 12/2000
Establish an engineering group with legal participation to (a) incorporate best industry practices for all transit modes in selection and standardization of vehicle components, systems, and subsystems; (b) participate in national standards development, and (c) improve terms and conditions so that cost is controlled and manufacturers want to do business with MUNI.	Included in General Operating Budget	Commence 7/2000
Establish a joint engineering-finance-legal group to develop a standard operating procedure that allows the procurement cycle of vehicle purchases to flatten, instead of all vehicles reaching replacement at the same time.	Included in General Operating Budget	Commence 7/2000

THE NEW MUNI'S TEN GOALS

"Realistic Goals That Lead To Reliable Service"

Goal 9: Modernize Information Management

GOAL: Modernize system data gathering and enhance internal communications.

MEASURE: Phase One of MIS completed by June 2000.
Phase One of Central Control completed by June 2000.

Program	Cost	Schedule
Quarterly Newsletter (Written, Video/CD and/or Internet) provided systemwide to employees, including reports from each Division	$35,000/Qtr. Included in 1% Budget.	Implement by 9/1999
Implement a MUNI-Wide Policy and Instruction book and establish a Document Control Unit to oversee Standard Operating Procedures development and updating.	$2 Mil (Assumes Phase One is complete). One time cost.	Commence 7/2000 Operational by 6/2002
Develop a Graphics Standard manual and policy.	$100,000 One time cost.	Complete by 2002
MUNI shall be wired and on the network with the full implementation of the MIS Plan. Projects includes full Internet/Intranet/Extranet capabilities, and extend to Payroll, Purchasing, VMS, MMS, etc.	$45 Mil One time cost	Complete by 2003
Implement a Full Central Control Communication Center that completes the Central Control Study, incorporates the Global Positioning Satellite project and improves subway communication to customers and station agents.	$45 Mil (if Central Control remains at West Portal). One time cost.	Complete by 2005

THE NEW MUNI'S TEN GOALS

"Realistic Goals That Lead To Reliable Service"

Goal 10: Complete Major Infrastructure Projects

GOAL: Start and complete specific projects on schedule.

MEASURE: Meet all completion dates.

Program	Cost	Schedule
Fund and complete identified Capital Programs, including rolling stock acquisition, in concert with the MUNI timetables and priorities.	$3.8 Billion; Funding Sources: FTA, MTC and SFTA*	Complete by 2010
Structures and Ways at 700 Pennsylvania.	Included in Capital Programs budget.	Complete by 12/2000
Metro East light rail maintenance and operations facility and 3rd Street Corridor.	Included in Capital Programs budget.	Complete by 12/2002
Bus maintenance and operations facility at Islais Creek.	Included in Capital Programs budget.	Complete by 12/2002
Central Warehouse at Islais Creek.	Included in Capital Programs budget.	Complete by 12/2003
New MUNI Headquarters at 525 Golden Gate.	Included in Capital Programs budget.	Complete by 12/2005

* These are federal, state and sales tax funds. No San Francisco General Funds are involved.

Glossary of Acronyms

ADA	-	Americans with Disabilities Act
BAAQMD	-	Bay Area Air Quality Management District
CD	-	Compact Disc
DPT	-	Department of Parking and Traffic
FTA	-	Federal Transportation Administration
MDBF	-	Mean Distance Between Failures
MIS	-	Management Information Systems
MMS	-	Material Management System
MTC	-	Metropolitan Transportation Commission
SFPD	-	San Francisco Police Department
SFTA	-	San Francisco Transportation Authority
TBD	-	To Be Determined
VMS	-	Vehicle Maintenance System

APPENDIX D

KEY PRINCIPLES OF GOVERNANCE

When evaluating the various options for establishing an effective and accountable transit organization, it is essential to focus on those principles which are key to the organization's ability to carry out its mission. In San Francisco the need for a change in the structure and organization of the transit agency is essential, because even the best professionals in the world would be "hobbled" under Muni's current structure. This means that whatever institutional structure is chosen, the fundamental management principles must transcend political expedience when choosing the most effective option.

A special panel of highly regarded "Transit Managers" met in San Francisco in December 1998 and agreed on the following guiding principles for any new structure chosen:

1. Relative Independence – This means a self-standing organization with ability to control all functions essential to perform its mission, including: selection of senior management, procurement, hiring and firing decisions, personnel performance evaluations, legal services and actions, fare and service recommendations, safety and security, etc.
2. Accountability – This means defining the relative areas of accountability of the Board and of the General Manager. It means clear lines of reporting throughout the organization and a clear understanding of the division between (1) setting Policy – the Board and (2) Operations – the General Manager.
3. Stability – This means long term commitments by members of the Board and by the General Manager and management staff. An analysis of successful transit agencies throughout the United States shows that Boards and General Managers, who have stayed in position 5 to 10 years, lead the most successful transit programs.
4. Competence – This refers to the need to employ only persons who are competent and all levels of the organization, from the Board or Commission on down to and through the General Manager and staff. Therefore the organization must be structured to facilitate this process and to be carried out for the benefit of the organization. It also refers to the need to appoint members of the Board who have qualification and experience for the performing board duties and should not be appointed for political expediency.
5. Organization Culture – This refers to the need for teamwork and customer service as a working culture within the organization. Performance standards need to be established and become the basis for evaluating the work of the General Manager and his/her staff and all employees.
6. Communication – Communication is needed within and outside of the organization. It should not be apologetic or defensive, but based on agreed upon understanding of the mission and the limitations of the organization to achieve the goals and objectives set by the Board.

While at first glance these principles may appear obvious they frequently are overlooked when developing a transit organization. Consequently these principles have been used to test the options for a New Muni.